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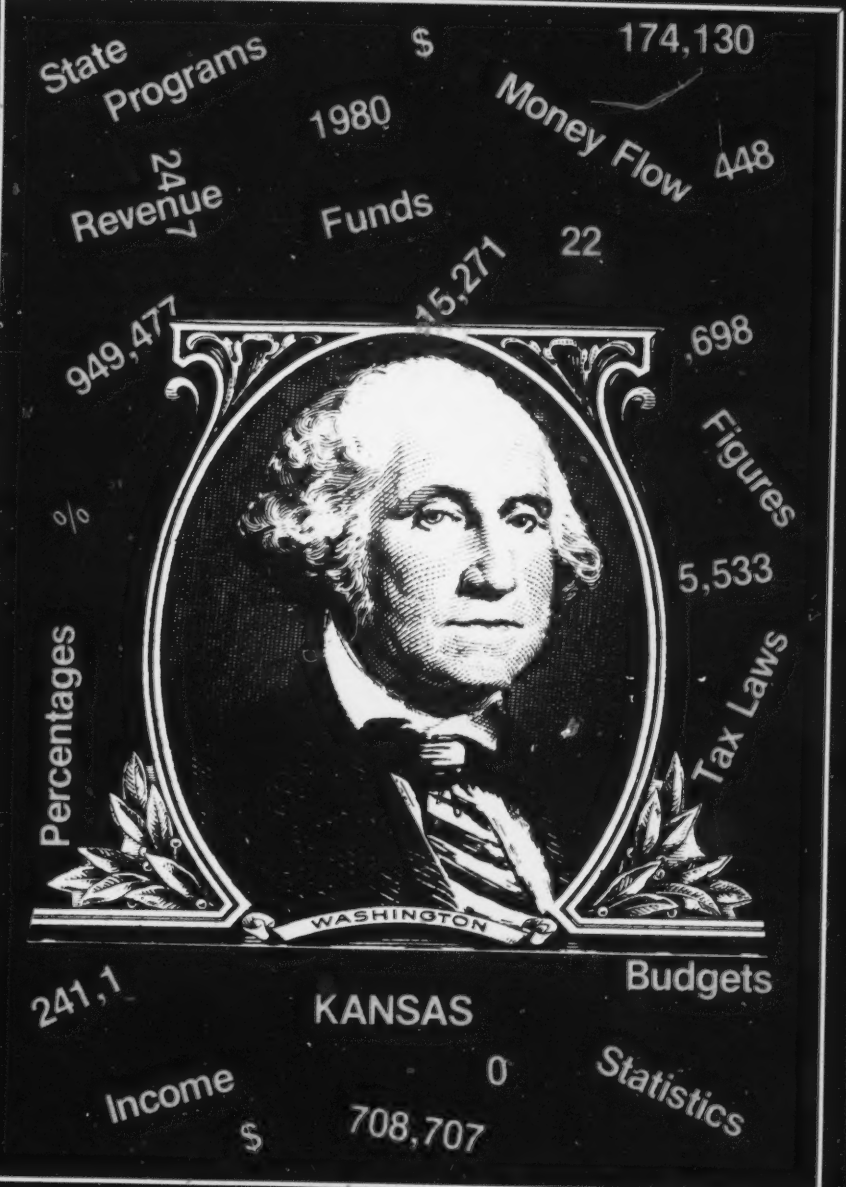

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New Developments in Kansas Revenue Estimation

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The following article is a revision of two reports that were developed by the Institute for Economic and Business Research for James W. Bibb, Director of the Budget for the State of Kansas. Dr. Daicoff and the staff at the Institute wish to acknowledge Mr. Bibb's commitment, as Director, to a policy of close, continual, and innovative study of Kansas fiscal data as well as to acknowledge the benefits of that policy to the State. One such benefit is that Kansas has an enviable record of efficient revenue estimations that have afforded a sophisticated and accurate approach to budget planning and allocations.

The State government of Kansas—like every other government—annually faces the problem of preparing a budget for the next fiscal year. The first step in this process is determining just how much money will be available for State programs. Quite clearly, given the nature of State government, general fund expenditures for State programs are limited by general fund revenues; therefore, before any budgeting of State general fund expenditures can take place, an estimate of general fund revenues is necessary. Because of the dependence of expenditures on revenue, it is important to have the best revenue estimate available, and, as the estimate of general fund revenue improves, stability and efficiency are added to the budgeting of expenditures.

The methodology for estimating tax revenue can run the gamut from simply looking at past years' receipts and guessing about next year's to developing complex, multi-sector, state econometric models. Of course, Kansas state government has grown in its range of vital services and activities to a point that it cannot afford to rely on guessing, even on educated guessing. However, it has also been found that large, sophisticated state econometric models are not necessarily the best tool for short-run revenue forecasting, especially in a state like Kansas. Historically, the best tool for revenue forecasting in Kansas has been the simple, single variable linear regression equation with income as the independent variable:

$$\text{Tax Revenue} = \alpha + \beta(\text{Income}).$$

Historical data are available tax for revenue, and it would seem that State personal income could be forecast with relative ease into the future. But, at this point, two problems emerge that will be the focus of this article.

First, although the historical tax data is accurate, it is flawed for the purpose of general fund tax revenue estimates. Since 1968, numerous changes have taken place in the Kansas tax structure: exemptions have been added for some taxes, eliminated for others; tax rates have changed; and the percentage of the tax revenue that goes into the general fund has changed for some taxes. Thus, the approach of using unadjusted historical tax data is a return, at best, to the educated guess. For better estimates, the tax revenue data must be cleaned up; hence, the need for **constant statute** general fund tax receipts. The first concern of this article is the development of adjusted tax revenue.

Second, the available income data for Kansas is personal income. Tax revenue tends to be related to income, but there is no reason to expect personal income to be a good predictor for all tax revenue. For example, personal income includes imputed interest, and, because of the recent high interest rates, this figure should grow significantly in 1979. However, it is difficult to spend imputed interest because it is simply that—only imputed. Thus, an increase in personal income due to imputed interest would cause the simple regression equation to estimate an increase in sales tax receipts, an increase which would be, at least in part, unwarranted. Obviously, then, a more sophisticated approach is needed. For taxes that are dependent upon income received, such as the State income tax, one type of income concept is probably a good predictor, whereas, for a tax that is dependent upon spendable income, such as the sales tax, a different type of income concept is more appropriate as a predictor. What is needed for revenue estimation is a more varied approach to the determination of the income variable. The second part of this article is concerned with developing various concepts of income for revenue estimation.

Adjustment of General Fund Tax Receipts for Constant Statutes: 1968-1978

Three matters are of concern when adjusting general fund tax receipts to constant statute general fund tax receipts: the tabulation of the actual

Table 1

Kansas Adjusted Total Tax Collections: Independent of General Fund Allocations

(net of refunds, thousands of dollars)

Tax Source	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
Income and Privilege Taxes											
Individual	62,780	57,438	76,175	83,098	92,260	112,897	146,048	169,527	182,198	206,534	241,152
Corporate	47,661	47,489	37,644	39,644	41,469	49,548	61,705	78,329	88,470	108,138	116,372
Financial Institutions	4,539	5,679	5,533	8,831	7,126	7,110	8,142	8,450	7,851	9,810	11,460
Inheritance Tax	7,451	6,698	7,177	8,701	9,325	9,980	12,132	11,446	12,992	17,438	15,271
Sales, Use, and Excise Taxes											
Retail Sales	108,174	118,912	127,044	136,250	155,778	174,130	202,278	224,234	259,109	278,829	304,819
Consumers' Use	7,289	7,476	7,493	7,608	9,108	9,557	10,590	14,842	16,595	18,122	20,314
Retailers' Use	10,544	11,394	11,270	12,256	12,027	12,978	15,392	17,940	17,663	21,392	23,645
Motor and Special Fuel	82,897	87,164	90,633	97,075	103,703	110,903	110,996	108,798	114,432	119,039	123,982
Cereal Malt Beverage	3,317	3,573	3,675	3,705	3,756	3,863	4,021	4,087	4,167	4,209	4,989
Liquor Gallonage	6,795	7,014	7,404	7,824	8,709	9,157	9,922	10,448	10,985	11,274	12,095
Liquor Enforcement	2,407	2,602	2,802	3,118	3,523	3,706	4,068	4,672	5,261	5,437	5,921
Cigarette	17,460	18,032	20,306	23,973	26,534	27,563	28,699	29,731	30,930	31,250	31,263
Tobacco Products	539	545	521	530	539	541	580	642	661	678	706
Corporate Franchise	1,644	1,764	1,722	1,942	2,144	2,406	3,248	3,478	3,922	4,241	4,651
Wheat	423	469	546	547	558	589	654	417	595	686	787
Motor Carrier Property	1,147	1,080	1,392	1,368	1,632	1,773	2,050	2,286	2,670	3,247	3,442
Gross Receipts Taxes											
Insurance Premiums, Foreign	8,694	9,516	10,313	10,857	12,511	13,460	14,673	15,864	17,744	20,287	23,344
Insurance Premiums Domestic	1,257	1,120	1,289	1,485	1,477	1,721	1,914	2,170	2,482	3,023	3,507
Insurance Premiums, Fire Marshal	228	254	282	288	357	387	406	448	505	670	784
Express Car Companies	5	0	0	2	2	1	1	0	0	0	0
Private Car Companies	288	303	300	305	291	315	336	354	323	382	412
Music-Dramatic Companies	1	1	1	1	1	1	1	1	1	1	1
Bingo	528	533	536	537	538	540	540	543	548	553	560
Total	376,068	389,056	414,058	449,945	493,368	553,146	638,396	708,707	780,094	865,240	949,477

collections from each of the twenty-three taxes contributing to the general fund; the adjustment of these collections for any changes in tax laws or administrative procedures that have occurred; and the determination of the contribution of each of these taxes in each year to the general fund. In addition, the process of adjustment also requires that one year be chosen as the standard for all three calculations. For the purposes of this article, the State tax laws, the State administrative procedures, and the allocated portion for each tax destined for the general fund in fiscal year 1978 are used as the standard.

From 1968 to 1978, three types of legal and administrative changes occurred which necessitated adjustment: 1) changes in tax rates, such as the altering of the tax brackets for the individual income tax; 2) changes in the tax base, such as the exemption of the purchase of some farm implements from the retail sales tax or the increase in the personal exemption for the individual income tax; and 3) changes in administrative procedures, such as the increased effort by the Audit Services Bureau of the Revenue Department. Also, some taxes have not existed throughout the eleven years. However, estimates of what their tax revenues would have been had they existed were developed for the time period under study. For example, the bingo and tobacco products taxes were introduced during this period, and, therefore, estimates for the entire period had to be developed.

Further, during the 1968-1978 period, certain modifications were made in the portion of each of the taxes which were allocated to the State general fund. This analysis abstracts from these changes and calculates what the State general fund would have received in each year had the 1978 allocation applied throughout.

Table 1 presents the results of the calculations that adjust actual collections to the 1978 statutes and procedures. The calculated dollar contributions of each of these taxes to the State general fund under 1978 allocation procedures are presented in Table 2. For some of the taxes, such as the individual income tax, Tables 1 and 2 contain the same figures. This is the case for all taxes which are fully deposited to the State general fund. The motor and special fuel taxes are examples for which Table 2 figures are lower than the comparable Table 1

Table 2

Kansas Adjusted Tax Collections: General Fund Allocations

(net of refunds, thousands of dollars)

Tax Source	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
Income and Privilege Taxes											
Individual	62,780	57,438	76,175	83,098	92,260	112,897	146,048	169,627	182,198	206,534	241,152
Corporate	47,661	47,489	37,644	39,644	41,469	49,548	61,705	78,329	88,470	108,138	116,372
Financial Institutions	4,539	5,679	5,533	8,831	7,126	7,110	8,142	8,450	7,851	9,810	11,460
Inheritance Tax	7,451	6,698	7,177	8,701	9,325	9,980	12,132	11,446	12,982	17,438	15,271
Sales, Use, and Excise Taxes											
Retail Sales	108,174	118,912	127,044	136,250	155,778	174,130	202,278	224,234	259,109	278,829	304,819
Consumers' Use	7,289	7,476	7,493	7,608	9,108	9,557	10,590	14,842	16,595	18,122	20,314
Retailers' Use	10,544	11,394	11,270	12,256	12,027	12,978	15,392	17,940	17,663	21,392	23,645
Motor and Special Fuel	1,691	1,764	1,819	1,734	1,952	2,061	2,029	2,047	2,153	2,240	2,313
Cereal Malt Beverage	3,317	3,573	3,675	3,705	3,756	3,883	4,021	4,087	4,167	4,209	4,989
Liquor Gallonage	6,224	6,427	6,794	7,217	8,044	8,481	9,206	9,727	10,246	10,529	10,496
Liquor Enforcement	963	1,041	1,121	1,247	1,409	1,482	1,627	1,869	2,104	2,175	2,369
Cigarette	13,095	13,524	15,230	17,980	19,901	20,672	21,524	22,298	23,198	23,438	23,447
Tobacco Products	539	545	521	530	539	541	580	642	661	678	706
Corporate Franchise	1,644	1,764	1,722	1,942	2,144	2,406	3,248	3,478	3,922	4,241	4,651
Wheat	85	94	109	109	112	118	131	103	119	139	164
Motor Carrier Property	1,147	1,080	1,392	1,368	1,632	1,773	2,050	2,286	2,670	3,247	3,442
Gross Receipts Taxes											
Insurance Premiums, Foreign	8,694	9,516	10,313	10,857	12,511	13,460	14,673	15,864	17,744	20,287	23,344
Insurance Premiums, Domestic	1,257	1,120	1,289	1,485	1,477	1,721	1,914	2,170	2,482	3,023	3,507
Insurance Premiums, Fire Marshal	46	51	56	58	71	77	81	90	101	134	157
Express Car Companies	5	0	0	2	2	1	1	0	0	0	0
Private Car Companies	288	303	300	305	291	315	336	354	323	382	412
Music-Dramatic Companies	1	1	1	1	1	1	1	1	1	1	1
Bingo	176	178	179	179	179	180	180	181	183	184	187
Total	287,610	296,067	316,857	345,107	381,014	433,372	517,889	590,065	654,942	735,170	813,218

figures, since less than 100 percent of these taxes is deposited into the State general fund.

Table 3 contains the principal analytical findings of this part of the study. It breaks down the revenue changes for each of the taxes into their component parts. For example, from 1968 to 1978, the actual unadjusted tax yield from the individual income tax rose $178,330 thousand, an increase of 283.87 percent. Table 1 records that adjusted collections rose from $62,780 thousand in 1968 to $241,152 thousand in 1978, an increase of $178,372 thousand or 284.12 percent. The net effect of statute and administrative procedure changes was to decrease individual income tax collections by $42 thousand; this represents a decrease of 0.07 percent from actual 1968 collections. Had the same statutes and procedures existed throughout the period, collections for the corporate income tax would have risen $69 million; however, the actual rise was $98 million. Thus, about $30 million of the actual collection growth was the result of increases in corporate tax rates and/or taxable income and/or the revenue productivity of audit procedures. Table 3 includes similar findings for each of the twenty-three taxes which contribute to the State general fund.

The actual total tax collections for these twenty-three general fund taxes rose by $641,608 thousand or 208.4 percent. The adjusted tax yield rose $573,157 thousand or 152.47 percent. The net effect of the statute and procedure changes was to increase total revenue by 67,295 thousand or 22.15 percent of the actual 1968 revenue.

In terms of the contribution of these taxes (adjusted to 1978 statutes and procedures) to the State general fund (see data shown in Table 2), the rise was from $287,610 thousand in 1968 to $813,218 thousand in 1978, an increase of $525,608 thousand or 182.75 percent. This growth of the State general fund is attributed to the combined effect of (1) increased revenue resulting from economic growth and inflation with constant statutes and administrative procedure, (2) collection increases resulting from statute and procedure changes, and (3) increases in the portion of tax collections allocated to the fund. This third element is important. The data in Tables 1 and 2 show that, in 1968, 76.48 percent ($287 million of $376 million) of adjusted revenue would have been deposited in the general fund and that, in 1978, 85.65 percent ($813 million out of $949 million) was deposited in the fund.

The average annual percentage

Table 3
Analysis of Effect of Statute and Procedure Changes, 1968-1978

Tax Source	Actual Unadjusted		Adjusted		Effect of Statute and Administrative Procedure Changes	
	$ thou.	%	$ thou.	%	$ thou.	%
Income and Privilege Taxes						
Individual	178,330	283.87	178,372	284.12	– 42	– 0.07
Corporate	98,473	550.16	68,711	144.17	29,762	166.28
Financial Institutions	9,648	532.45	6,921	152.48	2,727	150.50
Inheritance	7,820	104.95	7,820	104.95	0	0
Sales, Use, and Excise Taxes						
Retail Sales	196,510	181.43	196,645	181.79	– 135	– 0.12
Consumers' Use	13,605	202.79	13,025	178.69	580	8.65
Retailers' Use	13,113	124.51	13,101	124.25	12	0.11
Motor and Special Fuel	69,566	127.84	41,085	49.56	28,481	52.34
Cereal Malt Beverage	2,748	122.62	1,672	50.41	1,076	48.01
Liquor Gallonage	7,960	192.50	5,300	78.00	2,660	64.33
Liquor Enforcement	3,514	145.99	3,514	145.99	0	0
Cigarette	13,803	79.05	13,803	79.05	0	0
Tobacco Products	706	∞	167	30.98	539	∞
Corporation Franchise	3,829	465.82	3,007	182.91	822	100.00
Wheat	346	86.05	364	86.05	0	0
Motor Carrier Property	2,295	200.09	2,295	200.09	0	0
Gross Receipts Tax						
Insurance Premiums, Foreign	14,650	168.51	14,650	168.51	0	0
Insurance Premiums, Domestic	3,507	∞	2,250	179.00	1,257	∞
Insurance Premiums, Fire Marshal	556	243.86	556	243.86	0	0
Express Car Companies	– 5	—	– 5	—	0	0
Private Car Companies	124	43.06	124	43.06	0	0
Music-Dramatic Companies	– 1	0	0	0	– 1	0
Bingo	493	∞	32	6.06	461	∞
Total	641,608	208.40	573,157	152.47	68,199	22.15

growth (compounded yearly for ten years) for actual tax collections from the twenty-three taxes was 11.99 percent. The comparable figure for collections from the twenty-three adjusted taxes is 9.72 percent. Finally, the total contribution of these twenty-three adjusted taxes to the State general fund average annual increase was 16.97 percent. Thus, annually, actual collections rose by 11.99 percent, adjusted collections by 9.72 percent, and State general fund receipts by 10.97 percent. These differences are accounted for by changes in Kansas tax statutes, administrative procedure changes, and different portions of taxes allocated to the State general fund and by differential tax growth over the period.

Another means of analyzing these figures is by applying the economic concept of income elasticity. Income elasticity measures the responsiveness of the percentage change of tax collections to the percentage changes in income by dividing the percentage change for each tax collection by the percentage change in Kansas personal income. Between the calendar years 1967 and 1977, Kansas personal income rose from $6,630 million to $16,333 million, an increase of 146 percent. The individual income tax, adjusted to 1978 statutes, rose 284 percent, as calculated from the data in Table 1. The income elasticity of the personal income tax is, then, 1.89. This figure can be interpreted to mean that a 10 percent increase in Kansas personal income resulted in a 18.9 percent increase in personal income tax collections. Comparable figures for each of the twenty-three taxes are shown in Table 4. Total Kansas tax collections, adjusted to 1978 statutes and administrative procedures, exhibited an income elasticity of 1.02. Thus, a 10 percent increase in Kansas personal income can be expected to produce a 10.2 percent increase in Kansas tax yields, so long as Kansas statutes and procedures are not changed. In other words, when personal income in Kansas increases, tax receipts for the general fund will increase at a slightly higher rate than that of personal income.

The Development of a Variety of Income Concepts

Kansas personal income, which represents the second component that needs to be revised if the linear regression equation is to forecast with greater precision State tax revenue, is a measure of the total income received by Kansans. Granted, it is an excellent measure for the objectives of the U.S. Department of Commerce, but it is not a good tool for estimating Kansas tax revenues (as discussed above). The fact is that personal income is a poor predictor of individual income tax collections and of most consumption tax collections, such as the retail sales tax. In order to predict these Kansas tax revenues more accurately—and,

thus, the total general fund revenues—two different income concepts have to be developed: income flow and money flow. **Income flow** measures a flow of dollars that, depending on a taxpayer's particular situation, could lead to an income tax obligation. **Money flow** measures spendable income before taxes and social security payments and, hence, should be more closely related to purchases and, for example, retail sales tax collections.

The first step in the development of both of these flows is the elimination of the imputed incomes which are included in personal income. Again, imputed income is eliminated because it does not reflect income that is either taxable *or* spendable. The elimination of imputed income affects interest, rents, and farm proprietors' income. The new value for farm income is calculated from *State Farm Income Statistics* (U.S. Department of Agriculture, "Economics, Statistics, and Cooperative Services," September, 1978, p. 23). "Non-money income" is subtracted from "net farm income before inventory adjustment" to produce the value for farm income for the two new income concepts. It should be noted that this procedure abstracts from farm inventory changes because such changes are irrelevant to either income flow or money flow concepts. "Money interest" and "money rents" are substituted for "interest" and "rents" in the personal income account—a substitution equivalent to subtracting imputed interest and imputed rents.

In the second step, "other labor income" and "transfer payments" are eliminated from the development of the income flow measure because they are not likely to produce an individual income tax liability. In the development of the money flow measure, "transfer payments," which are dollar receipts to individuals, are retained, and "total compensation for injuries" is substituted for "other labor income." The rest of "other labor income" is non-money income—for example, employer contributions to private pension plans fall into this category—and is eliminated from the money flow measure.

Finally, "contributions to social insurance" are subtracted from the total money flow while they are ignored when estimating income flow. This subtraction is performed because, whether the dollars are received or not, an individual income tax liability would be levied on this amount of income.

Kansas personal income, as estimated by the U.S. Department of Commerce, and the calculated income flow and money flow are shown in Table 5. Data for each year from 1968 to 1977 are provided.

As the comparative data in Table 5 suggest, an example of a tax where the income flow concept is a better predictor of tax receipts than personal income is the Kansas individual income tax. The following is the single variable regression equation obtained by comparing changes in individual income tax receipts with changes in personal income.

$\Delta T = 105.03 + 19.32\Delta Y_1$, $R^2 = 0.6877$

ΔT = the yearly change in tax receipts

ΔY_1 = the yearly change in personal income

A half-year lag was used in this regression, i.e., the change in personal income from 1976 to 1977 is compared with the change in tax receipts from FY 1977 to FY 1978. Ten years of data were used (nine pairs of numbers representing annual changes in the variables).

With data from the same years and with the same half-year lag between income and tax receipts, a new regression was run using the income flow concept rather than personal income. The result was a better "fit" as can be seen below.

$\Delta T = 4077.13 + 19.12\Delta Y_2$

$R^2 = 0.8279$

The high value for R^2, it is hoped, will translate into more precision in the forecast.

Table 4

Income Elasticity of Kansas Adjusted Taxes, 1968-1978

Tax Source	Income Elasticity
Income and Privilege Taxes	
Individual	1.94
Corporate	0.99
Financial Institutions	1.04
Inheritance Tax	0.72
Sales, Use, and Excise Taxes	
Retail Sales	1.24
Consumers' Use	1.22
Retailers' Use	0.85
Motor and Special Fuel	0.34
Cereal Malt Beverage	0.34
Liquor Gallonage	0.53
Liquor Enforcement	1.00
Cigarette	0.54
Tobacco Products	0.21
Corporation Franchise	1.25
Wheat	0.59
Motor Carrier Property	1.37
Gross Receipts Taxes	
Insurance Premiums, Foreign	1.15
Insurance Premiums, Domestic	1.22
Insurance Premiums, Fire Marshal	1.67
Express Car Companies	—
Private Car Companies	0.29
Music-Dramatic Companies	—
Bingo	0.04
Total	1.04

Conclusion

The purpose of this article has been to provide better data for general fund tax receipt estimation. This intent evolved in two steps: the tax receipt

Table 5
Derivation of Refined Personal Income

(in millions of dollars)

Personal Income	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
Wage & Salary Disbursements	4,061	4,395	4,644	4,947	5,401	6,061	6,762	7,443	8,331	9,210	10,436
Other Labor Income	227	248	279	315	365	426	502	622	744	884	1,041
Proprietor's Income											
—Farm	315	385	505	614	871	1,373	862	622	413	504	760
—Nonfarm	654	679	660	675	784	809	852	927	1,066	1,128	1,239
Dividends	151	172	191	203	205	221	269	307	358	372	417
Interest	496	571	654	704	750	864	1,106	1,288	1,411	1,556	1,793
Rents	425	400	396	446	477	589	648	634	563	584	598
Transfer Payments	640	708	835	952	1,019	1,189	1,380	1,665	1,831	2,005	2,155
Contributions to Social Insurance	226	256	274	302	305	415	507	563	578	639	734
Residence Adjustment	409	456	483	490	526	569	603	631	674	728	800
Totals	7,152	7,758	8,374	9,044	10,092	11,685	12,477	13,577	14,814	16,333	18,505
Income Flow											
Wage & Salary Disbursements	4,061.3	4,395.0	4,643.7	4,947.0	5,400.5	6,060.7	6,762.1	7,443.0	8,331.4	9,209.7	10,436.2
Other Labor Income	0	0	0	0	0	0	0	0	0	0	0
Proprietor's Income											
—Farm	184.2	259.5	383.7	431.6	794.2	1,372.7	862.2	621.7	265.8	426.2	415.8
—Nonfarm	654.3	679.2	659.7	675.5	784.2	809.0	851.9	927.2	1,065.7	1,128.0	1,239.3
Dividends	150.6	171.0	191.4	202.8	205.1	220.7	269.3	307.3	357.5	372.4	417.3
Interest	311.6	365.8	427.6	455.9	480.8	556.5	722.2	852.1	939.7	1,027.9	1,166.3
Rents	326.8	306.3	302.8	344.8	371.4	491.3	556.3	520.6	457.6	479.6	495.3
Transfer Payments	0	0	0	0	0	0	0	0	0	0	0
Contributions to Social Insurance	0	0	0	0	0	0	0	0	0	0	0
Residence Adjustment	409.2	455.6	482.6	490.0	525.8	568.8	603.2	631.4	673.9	728.4	799.7
Totals	6,098.0	6,632.4	7,091.5	7,547.6	8,562.0	10,079.7	10,627.2	11,303.3	12,091.6	13,372.2	14,969.9
Money Flow											
Wage & Salary Disbursements	4,061.3	4,395.0	4,643.7	4,947.0	5,400.5	6,060.7	6,762.1	7,443.0	8,331.4	9,209.7	10,436.2
Other Labor Income	30.0	30.1	31.8	31.5	34.6	36.7	50.4	66.7	80.2	100.8	120.8
Proprietor's Income											
—Farm	184.2	259.5	383.7	431.6	794.2	1372.7	862.2	621.7	265.8	426.2	415.8
—Nonfarm	654.3	679.2	659.7	675.5	784.2	809.0	851.9	927.2	1,065.7	1,128.0	1,239.3
Dividends	150.6	171.0	191.4	202.8	205.1	220.7	269.3	307.3	357.5	372.4	417.3
Interest	311.6	365.8	427.6	455.9	480.8	556.5	722.2	852.1	939.7	1,027.9	1,166.3
Rents	326.8	306.3	302.8	344.8	371.4	491.3	556.3	520.6	457.6	479.6	495.3
Transfer Payments	640.2	708.2	835.2	952.2	1,019.0	1,189.1	1,380.0	1,665.3	1,830.9	2,005.4	2,154.9
Contributions to Social Insurance	226.5	255.6	273.9	301.7	305.0	414.9	507.4	563.3	577.8	638.6	733.6
Residence Adjustment	409.2	455.6	482.6	490.0	525.8	568.8	603.2	631.4	673.9	728.4	799.7
Totals	6,541.7	7,115.1	7,684.6	8,229.6	9,310.6	10,890.6	11,550.2	12,472.0	13,424.9	14,839.8	16,512.0

data were adjusted to constant statute tax receipt data, and two alternative concepts of income, income flow and money flow, were developed. The first step abstracts from structural changes in the tax collection process because, without a constant structural tax collection process, a regression equation using unadjusted historical tax receipt data is meaningless. The second step provides a more sophisticated approach to the income variable used in the regression equation. With a variety of income concepts available, it is possible to choose an income concept that correlates better with a particular tax than does personal income.

Kansas in December

General Business

The erratic and ambiguous behavior of the national economy in 1979 continued into the early part of 1980. The much heralded recession of 1979 failed to materialize although the national economy experienced negative growth during the second quarter of 1979. As a result, unemployment remained at about the same level in 1979 as in 1978. The hoped for dampening of price increases in 1979 was as notable in its absence as was the recession. Inflation in 1979 was pushed beyond the single-digit level by the series of surges in oil prices due to OPEC pricing policy and, in part, to the political events in Iran. Attempts by the Federal Reserve to get the money supply under control resulted in record breaking interest rates in the third and fourth quarters of 1979 without clear evidence that the money supply had been controlled.

And 1980 begins with the general expectation of the inevitable recession of 1979 pushed back to sometime in 1980. Unfortunately for economic prognosticators, the recent data made available do not point to a recession. Instead, the outlook for 1980 is more of the same: more inflation, high interest rates, a small increase in unemployment, and slow growth in production. But, as the recent past indicates, any economic projection is subject to the qualification "if the national and international political situation does not experience a major alteration."

For Kansas, 1979 proved to be a good year, the third good year in a row. Employment increased substantially during the year, the unemployment rate remained about one half of the national average, and farm prices remained generally high for the year. The only weak sector in the economy was retail sales; they grew over the year but at a rate substantially less than that of inflation. The average manufacturing wage in Kansas just kept up with the rate of inflation over the past year, in large part because of the year's late surge in manufacturing wages (from August to December, a 9.39 percent increase).

The outlook for Kansas appears brighter than the outlook for the national economy, although how much brighter has become more uncertain due to the President's apparent intent to use farm exports as a political tool in foreign affairs. The December spurt in unemployment and initial claims for unemployment insurance follows the seasonal pattern set in the last few years with the exception that this year the increase came a month earlier. (See Table I.)

TABLE I
GENERAL BUSINESS INDICATORS

	Dec. 1979	Nov. 1979	% change	Avg. Prior 6 mos.	Annual Avg. 1978
Manufacturing					
Average Work Week (hrs.)	41.70	41.40	0.7	41.00	40.70
Average Weekly Earnings (dollars)	298.57	292.70	2.0	279.95	240.99
Initial Claims for					
Unemployment Insurance	12,501.00	8,199.00	52.5	7,796.00	8,082.00
New Incorporations					
In-State	505.00	309.00	63.4	370.00	336.00
Out-of-State	117.00	68.00	72.1	92.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

Employment

The December figures for nonfarm wage and salary employment point to the continued, steady growth in Kansas employment. Employment in all industries grew 0.4 percent from November to December. Of the ten major categories of employment, only contract construction, transportation and public utilities, and federal government had declines in their level of employment; and contract construction, because of the work's seasonal nature, was the only category to have a significant drop in its level of employment (2.8 percent). The category with the largest growth in employment for December was, naturally, retail sales.

From December 1978 to December 1979, employment in all industries increased 3.6 percent. Four categories of employment experienced greater growth in employment than the average for all industries: manufacturing (4.3 percent), mining (7.9 percent), contract construction (11.6 percent), and services (5.3 percent). The growth in manufacturing—as it has been all year—was primarily in the area of durable goods. Even though housing construction suffered in 1979, contract construction has remained high all year. The growth in mining employment is primarily in the area of oil and gas extraction which becomes increasingly profitable as oil prices soar. (See Table II.)

Regional Employment

Two seemingly different images are implied by the December regional employment data provided the Research and Analysis Section of the Kansas Department of Human Resources. These two images are dependent upon the time-frame used for analysis. From November to December, seven of the eleven regional areas had an increase in their unemployment rate, only two had a decline in their unemployment rate, and in two areas the unemployment rate did not change. The rise in the unemployment rate, in most cases, was the result of a significant increase in the number of unemployed rather

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	Dec. 1979	Nov. 1979	% change	Dec. 1978	% change
All Industries	968.1	964.2	0.4	934.1	3.6
Manufacturing	203.5	203.0	0.2	195.1	4.3
Durable Goods	135.6	135.3	0.2	127.9	6.0
Stone, Clay, Glass	10.4	10.2	2.0	9.7	7.2
Primary Metals	3.9	4.0	– 2.5	3.9	0.0
Fabricated Metal Products	13.7	13.8	– 0.7	14.1	– 2.8
Machinery (incl. elec.)	34.5	34.4	0.3	33.2	3.9
Transportation Equipment	60.0	59.5	0.8	53.6	11.9
Aircraft & Parts	49.6	49.3	0.6	42.2	17.5
Other Durable Goods	13.2	13.4	– 1.5	13.4	– 1.5
Nondurable Goods	67.9	67.7	0.3	67.2	1.0
Food & Kindred Products	23.9	24.0	– 0.4	23.2	3.0
Meat Products	9.3	9.4	– 1.1	8.6	8.1
Apparel	3.4	3.5	– 2.9	3.6	– 5.6
Printing & Publishing	16.8	16.4	2.4	15.8	6.3
Chemicals	8.7	8.6	1.2	8.4	3.6
Petroleum & Coal	4.8	4.8	0.0	4.6	4.3
Other Nondurable	10.3	10.4	– 1.0	11.6	– 11.2
Mining	13.6	13.5	0.7	12.6	7.9
Oil & Gas Extraction	11.2	11.2	0.0	10.5	6.7
Contract Construction	52.1	53.6	– 2.8	46.7	11.6
Trans., Comm., Elec., Gas	67.1	67.8	– 1.0	65.2	2.9
Wholesale Trade	62.4	62.0	0.6	60.9	2.5
Retail Trade	170.9	166.5	2.6	166.5	2.6
Finance, Insurance, Real Estate	47.5	47.3	0.4	45.6	4.2
Services	166.4	166.0	0.2	158.0	5.3
Federal Government	25.7	25.8	– 0.4	25.6	0.4
State & Local Government	158.9	158.7	0.1	157.9	0.6

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Dec. 1979	Nov. 1979	% change	Dec. 1978	% change
Kansas—Statewide					
Civilian Labor Force	1,215,700	1,209,900	0.5	1,176,400	3.3
Employed	1,176,900	1,177,100	– 0.0	1,142,000	3.1
Farm	51,500	56,000	– 8.0	52,300	– 1.5
Non-Farm	1,125,400	1,121,100	0.4	1,089,700	3.3
Unemployed	38,800	32,800	18.3	34,400	12.8
Rate	3.2%	2.7%		2.9%	
Lawrence SMSA					
Civilian Labor Force	34,600	34,600	0.0	32,700	5.8
Employed	33,500	33,700	– 0.6	31,700	5.7
Farm	600	700	– 14.3	700	– 14.3
Non-Farm	32,900	33,000	– 0.3	31,000	6.1
Unemployed	1,100	900	22.2	1,000	10.0
Rate	3.2%	2.6%		3.1%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	273,000	270,600	0.9	262,900	3.8
Employed	264,000	261,600	0.9	254,400	3.8
Farm	1,100	1,200	– 8.3	1,200	– 8.3
Non-Farm	262,900	260,400	1.0	253,200	3.8
Unemployed	9,000	9,000	0.0	8,500	5.9
Rate	3.3%	3.3%		3.2%	
Topeka SMSA					
Civilian Labor Force	93,400	93,100	0.3	93,300	0.1
Employed	90,000	89,900	0.1	89,900	0.1
Farm	1,500	1,600	– 6.3	1,600	– 6.3
Non-Farm	88,500	88,300	0.2	88,300	0.2
Unemployed	3,400	3,200	6.3	3,400	0.0
Rate	3.6%	3.4%		3.6%	
Wichita SMSA					
Civilian Labor Force	226,500	226,300	0.1	214,500	5.6
Employed	220,800	221,300	– 0.2	208,400	6.0
Farm	2,100	2,300	– 8.7	2,100	0.0
Non-Farm	218,700	219,000	– 0.1	206,300	6.0
Unemployed	5,700	5,000	14.0	6,100	– 6.6
Rate	2.5%	2.2%		2.8%	

than a decline in the civilian labor force. This phenomenon mirrors the statewide experience where the number of unemployed increased 18.3 percent while the size of the civilian labor force also increased.

However, if a more long-term view is taken, a different image of the Kansas regional employment situation develops. From December 1978 to December 1979, seven of the regional areas experienced a decline in their unemployment rate, three had a rise in their unemployment rate, and in one area the rate remained the same. Thus, even with the sudden December spurt in unemployment, the regional employment situation is better than a year ago. In previous years, there has always been a surge in Kansas unemployment during the winter. The difference this year is that it came in December whereas, before, it usually came in January. The January unemployment figures should indicate whether the surge this year was simply premature or, perhaps, a beginning sign of a change in the State's strong employment record. (See Table III.)

Retail Sales

There are two problems to confront before the retail sales tax data can be interpreted: (1) the data is misleading, particularly the September 1979 data. As a result, any quarterly average containing September 1979 data is distorted. (2) Further, beginning in July 1979, residential housing was exempted from the retail sales tax on public utilities. However, if the quarter ending in August is compared to the quarter ending in December, thus eliminating the distorting September numbers, a different—more revealing—picture emerges than that shown in Table IV. Apparel sales over the revised time period increased 11.7 percent instead of 18.1 percent, automotive sales increased 0.6 percent instead of 7.1 percent, food sales declined instead of increasing, and total retail sales (excluding public utilities) increased only 2.5 percent instead of 7.4 percent. The only general conclusion that can be drawn is that retail sales in Kansas have grown since the summer, possibly at the rate equal to the inflation rate but more probably at a lower rate.

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Dec. 1979	Nov. 1979	% change	Dec. 1978	% change
Barton Co.—Great Bend Area					
Civilian Labor Force	17,575	17,675	– 0.6	17,225	2.0
Employed	17,300	17,325	– 0.1	16,925	2.2
Farm	775	825	– 6.1	775	0.0
Non-Farm	16,525	16,500	0.2	16,150	2.3
Unemployed	275	350	– 21.4	300	– 8.3
Rate	1.6%	2.0%		1.7%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,525	16,575	– 0.3	16,400	0.8
Employed	15,975	16,000	– 0.2	15,750	1.4
Farm	700	750	– 6.7	700	0.0
Non-Farm	15,275	15,250	0.2	15,050	1.5
Unemployed	550	575	– 4.3	650	– 15.4
Rate	3.3%	3.5%		4.0%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,825	18,100	– 1.5	17,525	1.7
Employed	17,375	17,725	– 2.0	17,050	1.9
Farm	675	725	– 6.9	675	0.0
Non-Farm	16,700	17,000	– 1.8	16,375	2.0
Unemployed	450	375	20.0	475	– 5.3
Rate	2.5%	2.1%		2.7%	
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	20,975	20,975	0.0	21,375	– 1.9
Employed	20,425	20,425	0.0	20,900	– 2.3
Farm	500	550	– 9.1	500	0.0
Non-Farm	19,925	19,875	0.3	20,400	– 2.3
Unemployed	550	550	0.0	475	15.8
Rate	2.6%	2.6%		2.2%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	32,250	32,075	0.5	31,525	2.3
Employed	31,475	31,375	0.3	30,625	2.8
Farm	1,075	1,175	– 8.5	1,100	– 2.3
Non-Farm	30,400	30,200	0.7	29,525	3.0
Unemployed	775	700	10.7	900	– 13.9
Rate	2.4%	2.2%		2.9%	
Riley Co.—Manhattan Area					
Civilian Labor Force	21,675	21,750	– 0.3	21,100	2.7
Employed	21,125	21,250	– 0.6	20,475	3.2
Farm	850	950	– 10.5	875	– 2.9
Non-Farm	20,275	20,300	– 0.1	19,600	3.4
Unemployed	550	500	10.0	625	– 12.0
Rate	2.5%	2.3%		3.0%	
Saline Co.—Salina Area					
Civilian Labor Force	25,575	25,600	– 0.1	25,300	1.1
Employed	24,825	24,925	– 0.4	24,550	1.1
Farm	575	625	– 8.0	575	0.0
Non-Farm	24,250	24,300	– 0.2	23,975	1.1
Unemployed	750	675	11.1	750	0.0
Rate	2.9%	2.6%		3.0%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	Dec. * 1979	Sept.* 1979	% change	Dec. 1978	% change
Apparel	28.3	24.0	18.1	24.5	15.5
Automotive	215.0	200.7	7.1	184.9	16.3
Food	231.4	227.3	1.8	207.1	11.7
Furniture	43.1	39.2	10.0	38.5	11.9
General Merchandise	140.3	137.1	2.3	123.5	13.6
Lumber and Building Materials	100.9	92.8	8.7	88.8	13.6
Professional and Personal Service	40.4	38.0	6.4	36.5	10.7
Public Utilities	41.1	69.8	– 41.1	95.4	– 56.9
Unclassified	102.8	94.3	9.0	80.6	27.5
Farm and Garden Products	1.0	0.9	7.1	0.8	25.0
Manufacturing and Trading	81.7	71.8	13.7	66.0	23.8
Miscellaneous	1.9	2.2	– 13.4	2.0	– 0.5
Total	1027.8	998.1	3.0	948.6	8.4

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

A comparison of figures for the quarter ending in December 1978 with the quarter ending in December 1979 provides a clearer picture of the Kansas retail sales situation. All of the major categories of retail sales are up more than 10 percent from the previous year except public utilities, which should be ignored for the reason stated above, and miscellaneous items, which is an insignificant category. Total retail sales are up 15.7 percent over the same quarter a year ago. However, these figures must be tempered with the consideration of inflation. Retail prices, as measured by the consumer price index for Kansas City, rose 17.6 percent from December 1978 to December 1979. Thus, in real terms retail sales actually declined during this period. The real decline in retail sales during 1979 is not a phenomenon limited to Kansas. Nationally, 1979 saw a real decline in retail sales. (See Table IV.)

County Retail Sales

The county retail sales picture has improved from what it was for the last few months. From September to December, 25 counties had increases in retail sales of more than 10 percent, 53 counties had increases of between zero and ten percent, and 26 counties had declines in their retail sales. There seems to be no geographic pattern to these various changes in retail sales. From December 1978 to December 1979, thirty counties had increases of more than 20 percent in their retail sales, 54 counties had increases between 10 and 20 percent in their retail sales, and 21 counties experienced either declines or increases of less than 10 percent in their retail sales. Again, there seems to be no geographical pattern to these changes over the year in retail sales. (See Table V.)

Farm Prices

The prices received by Kansas farmers for field crops have been on a roller-coaster ride for the past year. From November to December, two of the five major field crops had a drop in price—wheat (– 3.6 percent) and sorghum (– 2.8 percent); two had a slight increase in price—corn (1.2 percent) and soybeans (1.4 percent); and the price of hay remained the same. Six months ago, all of the field crops had a higher price than in December, and a year ago three of the field crops had significantly lower prices (wheat, – 28.9 percent; sorghum, – 12.8 percent; and corn, – 9.6 percent), and hay and soybeans had modestly lower prices.

Only two of the livestock and livestock product prices dropped from November to December—calves (0.6 percent) and milk (1.5 percent). The other livestock prices showed healthy rises, particularly hogs (9.6 percent) and lambs (5.6 percent). Compared to a year ago, all of the livestock and livestock product prices were lower, except hog prices. However, nine months ago, all of the livestock prices were significantly higher than in December 1979. Milk prices were lower nine months ago.

The prices paid by Kansas farmers have steadily risen over the past year. From November to December, only bran prices fell (– 2.5 percent). Beef concentrate and hog concentrate both remained at the same price, and soybean meal, 16 percent dairy feed, and laying feed prices all increased. The prices paid by farmers this December as compared to last December were all higher; however, their price increases were all less than 13.0 percent. (See Table VI.)

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * Dec. 1979	Sales * Sept. 1979	Change From Sept. 1979 (%)	Sales * Dec. 1978	Change From Dec. 1978 (%)
Allen	5,337	4,876	9.5	4,630	15.3
Anderson	2,553	2,396	6.6	2,315	10.3
Atchison	4,956	4,502	10.1	4,385	13.0
Barber	2,576	2,505	2.8	1,955	31.8
Barton	24,208	22,247	8.8	20,062	20.7
Bourbon	5,668	5,383	5.3	5,041	12.5
Brown	3,734	3,270	14.2	3,360	11.1
Butler	16,062	14,263	12.6	12,908	24.4
Chase	798	650	22.6	755	5.7
Chautauqua	1,112	1,119	– 0.6	977	13.8
Cherokee	4,332	4,153	4.3	3,950	9.7
Cheyenne	1,413	1,306	8.2	1,217	16.1
Clark	649	574	12.9	512	26.7
Clay	3,112	3,336	– 6.7	2,917	6.7
Cloud	4,571	4,225	8.2	4,316	5.9
Coffey	2,245	2,200	2.0	1,987	13.0
Comanche	584	658	– 11.4	503	16.0
Cowley	13,316	12,557	6.0	11,495	15.8
Crawford	12,744	12,102	5.3	11,570	10.1
Decatur	1,692	1,559	8.6	1,268	33.4
Dickinson	5,944	5,992	– 0.8	5,429	9.5
Doniphan	2,385	1,954	22.0	1,944	22.7
Douglas	23,694	21,164	12.0	21,047	12.6
Edwards	1,095	968	13.1	863	26.9
Elk	673	629	6.9	607	10.7
Ellis	13,354	12,521	6.7	11,874	12.5
Ellsworth	1,954	2,027	– 3.6	1,992	– 1.9
Finney	15,669	15,235	2.8	13,533	15.8
Ford	15,160	14,397	5.3	12,307	23.2
Franklin	6,998	6,642	5.4	6,266	11.7
Geary	8,450	8,330	1.4	7,742	9.1
Gove	1,402	1,215	15.4	1,147	22.3
Graham	1,683	1,708	– 1.5	1,325	27.0
Grant	3,768	3,472	8.5	3,057	23.3
Gray	1,837	1,903	– 3.5	1,377	33.4
Greeley	517	697	– 25.8	514	0.7
Greenwood	2,905	2,753	5.5	2,545	14.1
Hamilton	802	869	– 7.7	692	15.8
Harper	2,907	2,840	2.4	2,302	26.3
Harvey	9,643	8,719	10.6	8,376	15.1
Haskell	1,109	1,064	4.3	1,050	5.6
Hodgeman	392	398	– 1.6	330	18.7
Jackson	2,418	2,097	15.3	2,173	11.3
Jefferson	3,211	2,925	9.8	2,630	22.1
Jewell	979	901	8.7	870	12.6
Johnson	124,522	113,251	10.0	106,702	16.7
Kearny	760	650	17.0	634	20.0
Kingman	2,644	2,430	8.8	1,994	32.6
Kiowa	1,404	1,296	8.4	1,091	28.7
Labette	8,234	7,507	9.7	7,107	15.9
Lane	913	829	10.1	696	31.2
Leavenworth	12,052	11,355	6.1	11,262	7.0
Lincoln	1,069	1,218	– 12.2	1,026	4.2

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Dec. 1979	Sales * Sept. 1979	Change From Sept. 1979 (%)	Sales * Dec. 1978	Change From Dec. 1978 (%)
Linn	1,991	1,850	7.6	1,714	16.2
Logan	2,109	1,799	17.2	1,552	35.9
Lyon	13,664	12,285	11.2	11,766	16.1
McPherson	10,256	9,714	5.6	8,719	17.6
Marion	3,900	3,552	9.8	3,283	18.8
Marshall	4,062	3,904	4.0	3,513	15.6
Meade	1,483	1,286	15.3	1,142	29.8
Miami	6,342	5,397	17.5	5,289	19.9
Mitchell	3,733	3,516	6.2	3,119	19.7
Montgomery	15,855	14,868	6.6	13,731	15.5
Morris	1,542	1,408	9.5	1,323	16.5
Morton	1,204	1,094	10.1	1,048	14.9
Nemaha	3,444	3,152	9.3	2,912	18.2
Neosho	7,962	6,922	15.0	6,715	18.6
Ness	1,880	1,591	18.1	1,375	36.7
Norton	2,361	2,245	5.2	2,003	17.9
Osage	3,457	3,155	9.6	2,876	20.2
Osborne	1,774	1,758	0.9	1,745	1.7
Ottawa	1,175	1,255	– 6.4	1,089	7.9
Pawnee	3,222	3,152	2.2	2,500	28.9
Phillips	2,666	2,540	4.9	2,171	22.8
Pottawatomie	4,945	4,010	23.3	3,738	32.3
Pratt	5,081	5,129	– 0.9	4,276	18.8
Rawlins	982	1,011	– 2.8	848	15.8
Reno	29,393	27,840	5.6	26,483	11.0
Republic	2,675	2,333	14.7	2,182	22.6
Rice	3,253	3,127	4.0	2,898	12.3
Riley	15,800	14,383	9.9	15,066	4.9
Rooks	3,523	3,389	4.0	2,736	28.8
Rush	1,450	1,292	12.2	1,065	36.2
Russell	5,195	4,928	5.4	4,157	25.0
Saline	28,238	26,968	4.7	23,987	17.7
Scott	2,553	2,710	– 5.8	2,402	6.3
Sedgwick	195,809	182,221	7.5	171,313	14.3
Seward	11,500	11,429	1.5	10,654	8.9
Shawnee	72,264	72,997	– 1.0	69,144	4.5
Sheridan	1,294	1,368	– 5.4	1,175	10.1
Sherman	4,216	4,203	0.3	3,684	14.4
Smith	1,787	1,994	– 10.4	1,604	11.4
Stafford	1,551	1,585	– 2.1	1,310	18.4
Stanton	716	619	15.8	605	18.3
Stevens	1,548	1,574	– 1.6	1,285	20.5
Sumner	5,819	6,248	– 6.9	5,302	9.8
Thomas	4,619	4,785	– 3.5	4,188	10.3
Trego	1,338	1,425	– 6.1	1,355	– 1.2
Wabaunsee	1,115	1,152	– 3.2	1,012	10.2
Wallace	670	665	0.7	560	19.5
Washington	2,014	2,046	– 1.5	1,818	10.8
Wichita	961	941	2.2	856	12.3
Wilson	2,873	2,667	7.7	2,643	8.7
Woodson	1,206	1,063	13.4	909	32.6
Wyandotte	61,374	60,587	1.3	56,504	8.6

Source: Tax Research Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS
(dollars)

Items	Dec. 1979	Nov. 1979	% change	Dec. 1978	% change	Annual Avg. 1978
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.79	3.93	-3.6	2.94	28.9	2.72
Corn (bu.)	2.50	2.47	1.2	2.28	9.6	2.21
Sorghum (cwt.)	3.78	3.89	-2.8	3.35	12.8	3.29
Hay (ton)	48.00	48.00	0.0	49.50	-3.0	40.88
Soybeans (bu.)	5.94	5.86	1.4	6.28	-5.4	6.17
Livestock & Products						
Beef Cattle (cwt.)	67.40	66.00	2.1	60.00	12.3	50.72
Calves (cwt.)	86.50	87.00	-0.6	73.20	18.2	58.78
Hogs (cwt.)	37.70	34.40	9.6	49.40	-23.7	47.66
Lambs (cwt.)	64.50	61.10	5.6	62.20	3.7	59.47
Sheep (cwt.)	21.30	20.30	4.9	19.00	12.1	13.33
Milk (cwt.)	12.80	13.00	-1.5	12.00	6.7	10.73
Prices Paid by Farmers						
Soybean Meal (cwt.)	12.50	12.00	4.2	11.50	8.7	10.92
Bran (cwt.)	7.90	8.10	-2.5	7.00	12.9	6.27
Beef Conc. (cwt.)	10.00	10.00	0.0	9.10	9.9	8.58
16% Dairy Feed (ton)	163.00	160.00	1.9	146.00	11.6	138.17
Hog Conc. (cwt.)	14.00	14.00	0.0	13.00	7.7	12.31
Laying Feed (ton)	189.00	183.00	3.3	175.00	8.0	160.08

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture
U.S. Department of Agriculture

Financial Activity

The December Kansas banking data indicate that the Kansas banking situation has stabilized after the dramatic policy change on the part of the Federal Reserve last fall. From October to November, the loan-to-deposit ratio fell significantly for the State and in each of the regional banking centers. This trend was generally halted in December, with only Wichita banks experiencing a significant drop in their loan-to-deposit ratio. The most interesting development in December was the large increase in demand deposits statewide and in the three banking centers. This situation was not solely a Kansas phenomenon. Nationwide, demand deposits rose about 8.0 percent in December.

Although the Kansas banking situation has stabilized, the loan-to-deposit ratio has stabilized at a lower level than last year. The December 1979 statewide loan-to-deposit ratio is 3.0 percent below the December 1978 figure, and each of the banking centers also experienced a drop in their loan-to-deposit ratio over the year. Also of interest is the small increase in loans in the past year. For the State and for each of the banking centers, December 1979 loans were up less than 5.0 percent above the December 1978 figure. (See Table VII.)

The December figures for savings and loan institutions reveal that 1979 ended as it began—with depressed activity. The dramatic increase in net new savings for the month was only due to the quarterly accounting of interest payments to savings accounts, and, when compared to a year ago, new savings were down 38.7 percent. Mortgage loans made in December 1979 were less than half the figure for December 1978. (See Table VIII.)

Consumer Prices

The Kansas City consumer price index for the two-month period ending in December 1979 shows that all items increased by 1.7 percent—a rise that translates into a 12.5 percent yearly rate. For the two-month period, all major items, except apparel, increased in price within a range of 3.0 percent for transportation to 0.2 percent for entertainment.

Over the year, the prices for all items rose by 17.6 percent. This dramatic, double-digit increase was fueled by a 24.3 percent rise in housing costs. Transportation costs and medical care prices rose dramatically as well: by 20 percent and 11.6 percent respectively. The other increases were in a range from 2.6 percent in apparel prices to 9.7 percent for other goods and services. (See Table IX.)

TABLE VII
COMMERCIAL BANKING ACTIVITY

(millions of dollars)

	Dec. 1979	Nov. 1979	% change	Dec. 1978	% change
Kansas—Statewide					
Loans	7,926	7,611	4.1	7,554	4.9
Demand Deposits	4,515	4,011	12.6	4,271	5.7
Time & Saving Deposits	8,370	8,293	0.9	7,433	12.6
Loan-to-Deposit Ratio	61.5%	61.9%		64.5%	
Kansas City (Wyandotte)					
Loans	510	514	– 0.8	524	– 2.7
Demand Deposits	279	246	13.4	287	– 2.8
Time & Saving Deposits	578	597	– 3.2	535	8.0
Loan-to-Deposit Ratio	59.5%	61.0%		63.7%	
Topeka (Shawnee)					
Loans	493	493	0.0	470	4.9
Demand Deposits	345	294	17.3	301	14.6
Time & Saving Deposits	510	564	– 9.6	502	1.6
Loan-to-Deposit Ratio	57.7%	57.5%		58.5%	
Wichita (Sedgwick)					
Loans	1,212	1,200	1.0	1,194	1.5
Demand Deposits	916	783	17.0	806	13.6
Time & Saving Deposits	1,124	1,094	2.7	983	14.3
Loan-to-Deposit Ratio	59.4%	63.9%		66.7%	

Source: Research Department
Federal Reserve Bank of Kansas City
Institute for Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Dec. 1979	Nov. 1979	% change	Dec. 1978	% change
Net New Savings	43,656	9,611	354.2	71,169	– 38.7
Mortgage Loans Made	51,351	78,130	– 34.3	111,893	– 54.1

Source: Federal Home Loan Bank of Topeka

TABLE IX
CONSUMER PRICES

Kansas City

Consumer Price Index, December 1979

	All Urban Consumers (CPI-U)			Wage Earners and Clerical Workers (CPI-W)		
		Percent change from			Percent change from	
	INDEX 1967 = 100	2 months ago	1 year ago	INDEX 1967 = 100	2 months ago	1 year ago
ALL ITEMS	233.7	1.7	17.6	232.4	2.0	16.8
Food and Beverages	240.1	1.9	8.7	234.6	1.8	6.8
Food	245.8	1.9	8.8	240.4	2.0	6.6
Food at home	238.2	1.9	7.7	233.6	1.8	5.2
Cereals & bakery products	241.9	4.3	13.5	236.6	1.8	10.3
Meats, poultry, fish & eggs	228.1	2.8	5.1	228.1	2.9	4.9
Meats, poultry & fish	233.6	2.1	6.0	232.7	2.1	5.5
Dairy products	223.7	2.0	4.4	222.4	1.7	3.9
Fruits and vegetables	237.4	0.8	17.4	223.1	1.7	6.6
Other foods at home	271.6	0.4	5.4	265.3	0.8	3.5
Food away from home	268.1	2.1	11.1	260.7	2.2	9.7
Alcoholic beverages	186.1	0.3	6.8	179.9	0.1	10.2
Housing	250.5	1.7	24.3	248.5	1.9	22.9
Rent residential	153.5	0.3	6.4	153.5	0.3	6.4
Homeownership	325.0	2.4	36.4	323.3	2.9	34.5
Fuel & other utilities	228.6	0.8	14.1	230.1	1.0	15.0
Gas (piped) & electricity	290.4	1.1	19.9	290.4	1.1	19.9
Household furnishings & oper	187.1	0.5	5.3	183.3	0.1	3.4
Apparel & Upkeep	175.5	-4.0	2.6	173.3	-0.6	0.8
Men's & boys' apparel	193.5	-1.3	8.2	194.1	-0.3	4.6
Women's & girls' apparel	152.0	-9.6	-5.1	145.0	-3.3	-8.5
Footwear	195.9	-1.7	5.6	200.0	2.6	9.1
Transportation	225.3	3.0	20.0	226.9	3.1	20.7
Private transportation	227.4	2.9	20.3	229.1	3.1	21.0
Public transportation	181.6	6.4	13.7	178.8	5.5	11.9
Medical Care	245.1	2.0	11.6	247.1	2.2	13.1
Entertainment	176.2	0.2	5.8	183.4	0.1	12.8
Other Goods & Services	208.0	1.8	9.7	210.3	0.9	11.6
ALL ITEMS (1957 = 100)	277.4			275.8		

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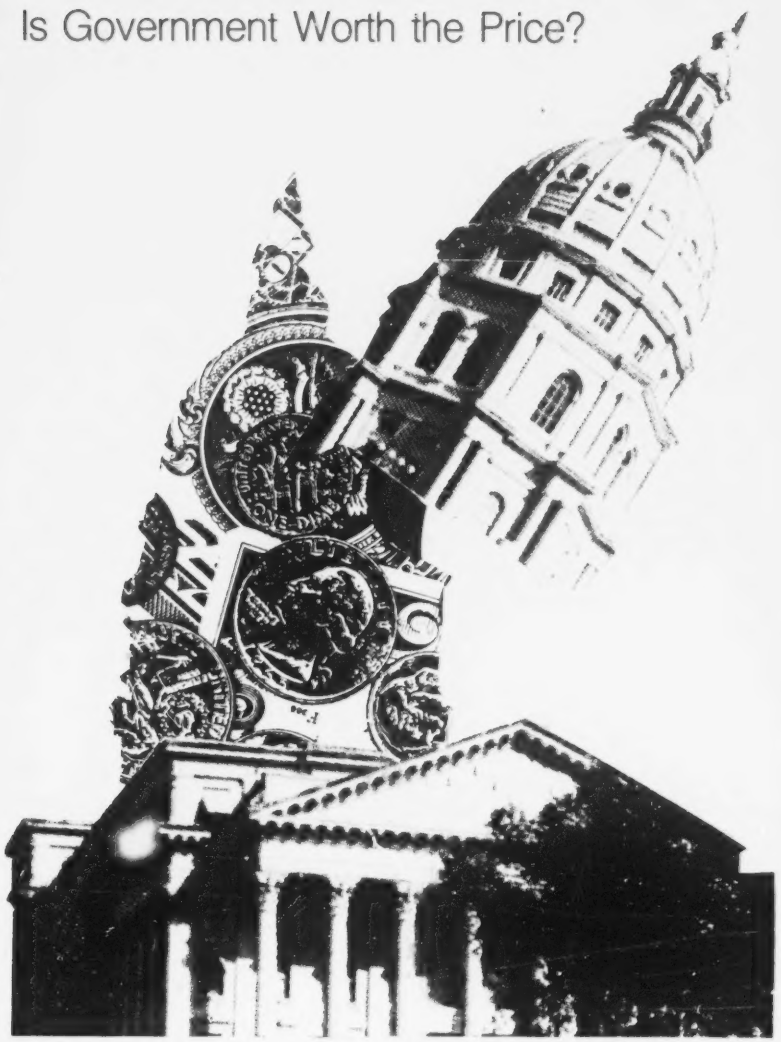
Kansas in January

Is Government Worth the Price?



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The Cost, Level, and Quality Of Public Services in Kansas

Darwin W. Daicoff
H. Brinton Milward
Jeanne A. Andre
David W. Eisenlohr
John M. Nachbar
Timothy C. Pittman

The following article is a revision of an Institute for Economic and Business Research study commissioned by Mr. James W. Bibb, Director of the State Budget. The authors and the Institute gratefully acknowledge Mr. Bibb's support of the project and wish to express their support of Mr. Bibb's commitment and contribution to making State government increasingly responsive to the needs of Kansas citizens and to the fiscal resources of the State. **Dr. Daicoff is Professor of Economics and Director of the Institute for Economic and Business Research at the University of Kansas. At the time of the study, Dr. Milward was Assistant Professor of Political Science at the University of Kansas; currently he is Associate Professor of Business Administration at the University of Kentucky. Ms. Andre, Mr. Eisenlohr, Mr. Nachbar, and Mr. Pittman are presently graduate students in the Department of Political Science at the University of Kansas.**

Introduction

The last several years have witnessed the aggressive renewal of an old concern of this country's electorate: Is government worth the price? A reasonable answer to this question demands close scrutiny of the tax burden that government is currently placing on the taxpayer, and, in turn, this scrutiny requires a two-pronged analysis. In addition to taking in revenue, government also provides products and services for the people, and to fully answer the question "Is government worth the price?" necessitates an analysis of both the cost of government and the benefits it provides. This article does not presume to settle the question. However, this study does attempt to provide a quantitative analysis of the cost to and the benefits received by the people from Kansas governments in order that readers will have a sound basis from which to draw their own conclusions.

The article has four sections. The first provides a brief review of the theoretical arguments for the existence of the public sector and a discussion of the limitations on the public sector in a market economy. The second section of this report is a comparative analysis of the level of public services provided by Kansas governments. In this section, Kansas governmental expenditures are compared to those of the four surrounding states and to the combined state and local governmental expenditures for all the states within the union. The final two sections provide an analysis of Kansas governmental expenditures between 1967 and 1977. The third section identifies the growth in Kansas governmental expenditures due to changes in population, changes in price structure, and changes in the scope and quality of public services; then the influence of these factors in Kansas is compared with their influence in the region. The fourth section contains a more detailed analysis of the change in Kansas governmental expenditures. Expenditures are divided into twelve categories and then are broken down between state and local governments. The expenditure changes in these twelve expenditure categories (for both state and local governments) are then separated into changes due to changing population, changing price structure, and changing scope and quality of public services.

Theoretical Foundations of the Public Sector

Traditionally, the public sector has provided services that have not been provided adequately by the private sector. For instance, national defense is often cited as an example of a service or need that has benefits from which it is impossible to exclude those who do not wish to purchase it or do not voluntarily contribute to it, and, therefore, which could not be provided for by the private sector in the quantity preferred by society.

However, examples such as national defense do little to define the myriad functions the government actually performs. Noted political scientist Peter Steiner defines the activities of the public sector practically, if not to the satisfaction of all, by saying that any publicly induced or provided collective good that the public collectively wants and will pay for is a legitimate activity of the public sector. His one proviso is that the public sector's performance must result in a different bundle of goods and services than the market can or will provide.

Given this definition, public goods exists when:

1. There are nonmarketable goods and services where the exclusion principle does not operate. For some reason, perhaps unwillingness or inability, the private sector does not produce goods which satisfy a public demand such as defense or justice.
2. There are market imperfections. Inadequate information, insufficient competition, large trans-

Table 1

Direct General Expenditures State and Local Government Kansas, Regional States, and United States, 1977

	Total (millions of dollars)	Per Capita (dollars)	Per $1000 of Personal Income (dollars)
Kansas	**2,775.5**	**1,193.25**	**185.71**
Colorado	3,524.6	1,345.77	211.90
Missouri	4,523.6	942.21	158.75
Nebraska	1,799.1	1,152.50	190.38
Oklahoma	2,937.0	1,044.81	186.03
Five-State Region	15,559.8	1,102.12	186.55
United States	273,001.8	1,261.96	198.76

Source: Bureau of the Census, U.S. Department of Commerce, *Government Finances in 1976-77* (Washington: U.S. Government Printing Office, November 1978).

action costs, and immobile resources are problems which are amenable to public sector solutions. Some examples are utility and transportation regulation and utility supply.

In this study, all of the public expenditures analyzed fall into one or both of the preceding categories.

State and Local Expenditures in Kansas, the West North Central Region, and the Nation

Comparing Kansas governmental expenditures to those of the four states bordering Kansas—Colorado, Nebraska, Missouri, and Oklahoma—provides a relative measure of the cost of Kansas public services as well as a relative measure of the level of Kansas public services. Table 1 presents 1977 direct general expenditures data for state and local governments in Kansas, in each of the four bordering states, in the five-state region, and in the United States.[1] Kansas total expenditures rank fourth in the five-state region and are slightly more than one percent of the national total. Kansas per capita expenditures are below the per capita expenditures for the whole nation, and they are greater than the five-state region per capita expenditures. In Kansas and Nebraska, the level of per capita spending is somewhat similar; Colorado spends much more; and Missouri and Oklahoma spend much less. In terms of ranking, Kansas is second in per capita expenditures within the five-state region.

These data may be somewhat misleading because, even though expressing expenditures on a per capita basis does account for differences in population, such an expression does not account for differences among the states in terms of price levels or fiscal capacity. Thus, per capita expenditures provide a measure of dollar spending but fail to express these expenditures in real terms. It may be that, because of lower prices, a particular state can spend less than other states and still provide the same level of actual per capita public services. Moreover, differences in per capita expenditures (even adjusted for differences in price levels) may also reflect differences in fiscal capacities. For example, the citizens of a relatively poor state may be trying as hard (burdening themselves as much) to provide a satisfactory level of public services as the citizens of a richer state and still be obtaining a lower level of services.

However, by relating state and local expenditures to the income received by the residents of a state, consideration is given to differences both in price levels (to the extent that price levels are reflected in the earnings) and in fiscal capacity. Therefore, Table 1 also shows direct general expenditures of state and local governments in Kansas, the bordering states, and the United States for 1977 in terms of personal income. Kansas spends $186 per $1,000 of personal income; the comparable national figure is $199. By this measure, among the five states, only Colorado spends more than the national average and, along with Nebraska and Oklahoma, spends more than Kansas. Again, Missouri spends less than Kansas. To summarize, in terms of both per capita and per $1,000 of personal income, Kansas spends less on state and local public services than the nation; regionally, Kansas expenditures are somewhat larger than average on a per capita basis but somewhat less than average on an income basis—only Missouri, among the states of the region, spends significantly less than Kansas.

Table 2

Direct General Expenditures, Kansas, 1977

Expenditure Category	State	Local (millions of dollars)	Total
Education	319.1	782.9	1,102.0
Highways	197.1	142.8	339.9
Public Welfare	291.6	4.9	296.5
Health and Hospitals	126.9	130.9	257.9
Police Protection	10.2	86.5	96.8
Fire Protection	—	35.2	35.2
Sewage and Sanitation	—	83.0	83.0
Local Parks and Recreation	—	29.2	29.2
Financial Administration	26.6	17.9	44.5
General Control	19.7	46.4	66.1
Interest on General Debt	12.8	59.0	71.8
Other	139.0	213.7	352.7
Total	1,143.1	1,632.4	2,775.5

Source: Bureau of the Census, U.S. Department of Commerce, *Government Finances in 1976-77* (Washington: U.S. Government Printing Office, November 1978).

Thus far, total expenditures have been discussed without looking at the individual expenditure categories. Table 2 shows Kansas' state and local governmental direct general expenditures by expenditure category in 1977. Forty percent is accounted for by expenditures on education. Local governments spend 71 percent of the education expenditures; the State accounts for the other 29 percent. Highway expenditures are considerably less and rank second. The State accounts for 58 percent of highway expenditures, with local governments accounting for 42 percent. Third place is taken by public welfare expenditures, and fourth by health and hospitals. Almost all, 98 percent, of public welfare expenditures are made by the State. Health and hospital expenditures are more evenly shared, with the state portion being 49 percent. These four categories account for 72 percent of total state and local expenditures. The State accounts for 41 percent of total expenditures.

Per capita expenditures for these detailed expenditure categories for Kansas, the regional states, and the United States are presented in Table 3. Per capita educational expenditures are slightly larger for the nation than for Kansas. Kansas ranks third among the five states and is about $16 above the regional average. Kansas per capita expenditures on highways ranks second in the region and is greater than the regional or national per capita expenditures. Kansas per capita expenditures for health and hospitals are greater than in the nation and any regional state—the only one of the 12 expenditure categories for which this is the case. For public welfare, Kansas expenditures, though still substantially lower than the nation, are second in the region and are above the regional average. Among the categories representing smaller amounts of expenditures, the only categories in which Kansas spends less than the region or the nation are fire protection and local parks and recreation. For the other six smaller expenditure categories, Kansas spends far less than the nation but more than the region.

Kansas per capita expenditures for health and hospitals are greater than in the nation and any regional state—the only one of the 12 expenditure categories for which this is the case.

A Comparative Analysis of the Growth in Kansas Expenditures

One effective way of analyzing the growth of state and local expenditures is to identify the three major factors influencing expenditure growth. First, even if prices remain unchanged and the quality of services per capita remain constant, *increasing workloads*—as the number of school age children increase or the volume of motor vehicle traffic grows—would require larger expenditures. Second, *increasing prices*—higher salaries for employees, higher medical care costs, and the like—would contribute to expenditure growth. Third, *increases due to improvements in the scope and quality of services*—more teachers per student, a greater portion of the poor receiving welfare payments, or the increased provision of medical care—would cause greater expenditures.[2]

Between 1967 and 1977, Kansas expenditures increased from $1,002.1 million to $2,775.5 million, a 176.97 percent increase. This was slightly below the rate for the United States of 191.14 percent and slightly above the regional rate of 152.03 percent. Two states in the region had a greater percentage increase in public expenditures, Colorado and Nebraska.

During this same period, Kansas population increased by 2.24 percent which represents the increased workload factor. There are no data available to directly measure price increases, the second factor, as they are reflected in the costs of providing public

Table 3

Per Capita Direct General Expenditures State and Local Governments: Kansas, Regional States, and the United States, 1977

Expenditure Category	Kansas	Colorado	Missouri	Nebraska	Oklahoma	5-State Region	U.S.
				(dollars)			
Education	**473.76**	605.96	382.12	489.37	417.04	457.56	475.22
Highways	**146.14**	127.56	105.84	166.71	110.70	124.20	106.80
Public Welfare	**127.48**	123.64	93.58	90.74	128.25	111.33	159.77
Health and Hospitals	**110.86**	102.26	86.95	98.25	86.67	94.92	104.20
Police Protection	**41.60**	48.61	40.19	32.07	31.39	39.34	47.98
Fire Protection	**15.11**	24.77	14.84	12.53	15.05	16.52	19.85
Sewage and Sanitation	**35.71**	38.71	31.92	30.94	33.12	33.92	41.02
Local Parks and Recreation	**12.55**	30.62	16.75	14.25	14.68	17.94	17.89
Financial Administration	**19.13**	27.75	12.14	20.66	13.78	17.46	20.49
General Control	**28.41**	39.31	19.77	26.98	20.73	25.81	28.96
Interest on General Debt	**30.87**	29.89	25.83	25.64	34.60	29.14	52.67
Other	**151.63**	146.68	112.30	144.36	138.81	133.98	187.11
Total	**1,193.25**	1,345.77	942.21	1,152.50	1,044.81	1,102.12	1,261.96

Source: Bureau of the Census, U. S. Department of Commerce, *Government Finances in 1976-77* (Washington: U. S. Government Printing Office, November 1978).

service in Kansas. However, the price index of state and local government purchases rose by 104.8 percent between 1967 and 1977.

To find the combined influence of population changes and inflation on Kansas expenditures, $1,002.1 million is first multiplied by 1.0224 (this is the same as multiplying by .0224 and then adding the result to the original total) thereby giving $1,024.5 million. This figure would be the total Kansas expenditure in 1977 if only population had changed. To include inflation, $1,024.5 million is multiplied by 2.048 (one plus the price level change) giving $2,098.3 million. Thus, $2,098.3 million of the 1977 Kansas expenditure level ($2,775.5 million) is the result of population changes and price changes. Since all other change in expenditures is assumed to be due to improvements in scope and quality, dividing $2,775.5 million by $2,098.3 million and subtracting one gives the percentage change in Kansas expenditures due to improvements in scope and quality. Using this method, the scope and quality of public services increased 32.28 percent from 1967 to 1977.

Kansas ranks first in the five-state region in the improvement of scope and quality of public services.

Thus, this third component does not account for the increases in cost of providing public services due to inflation or for the increases in the number of people who could receive the service but, rather, accounts for the service being provided to a greater portion of the population and/or the improved services being provided to each recipient. Although it must be admitted that percent of expenditures is not a perfect measure of quality, it is the best single measure available to quantify changes in the improvement of the scope and level of public services.

If, instead of looking at the percentage of absolute change due to each of these three factors, the percentage change of the total expenditure due to each factor is examined, then one gets a slightly different perspective on Kansas expenditures. The most important factor is the price change which represents 75.22 percent of the total change. Population changes represent merely 1.61 percent of the total change while improvements in scope and quality account for 23.17 percent of the total change. Thus, improvements in scope and quality represent a significant portion of the total change in expenditures, but price changes are definitely the most dominant influence.

Table 4 provides the 1967 and 1977 total expenditures and the breakdown of the change in these expenditures by population, inflation, and scope and quality for Kansas, the four bordering states, the five-state region, and the United States. Table 5 ranks Kansas

Table 4

The Relative Effect of Population, Price, and Scope and Quality Changes on Expenditures for the Five-State Region and the United States

Kansas	
Expenditures, 1967	1,002.1 (millions of dollars)
X Population increase factor	(1.0224)
X Price change factor	(2.048)
X Quality and scope improvement factor	(1.3228)
= Expenditures, 1977	2,775.5 (millions of dollars)
Colorado	
Expenditures, 1967	1,065.5 (millions of dollars)
X Population increase factor	(1.3261)
X Price change factor	(2.048)
X Quality and scope improvement factor	(1.2180)
= Expenditures, 1977	3,524.6 (millions of dollars)
Missouri	
Expenditures, 1967	1,859.7 (millions of dollars)
X Population increase factor	(1.0426)
X Price change factor	(2.048)
X Quality and scope improvement factor	(1.1392)
= Expenditures, 1977	4,523.6 (millions of dollars)
Nebraska	
Expenditures, 1967	629.9 (millions of dollars)
X Population increase factor	(1.0878)
X Price change factor	(2.048)
X Quality and scope improvement factor	(1.2820)
= Expenditures, 1977	1,799.1 (millions of dollars)
Oklahoma	
Expenditures, 1967	1,616.6 (millions of dollars)
X Population increase factor	(1.1262)
X Price change factor	(2.048)
X Quality and scope improvement factor	(0.7877)
= Expenditures, 1977	2,937.0 (millions of dollars)
Five-State Region	
Expenditures, 1967	6,173.8 (millions of dollars)
X Population increase factor	(1.1042)
X Price change factor	(2.048)
X Quality and scope improvement factor	(1.1145)
= Expenditures, 1977	15,559.8 (millions of dollars)
United States	
Expenditures, 1967	93,770.4
X Population increase factor	(1.0965)
X Price change factor	(2.048)
X Quality and scope improvement factor	(1.2965)
= Expenditures, 1977	273,001.8 (millions of dollars)

Table 5

Scope and Quality Changes Kansas, Regional States, and United States 1967-1977

State	Percent
Kansas	**32.28**
Colorado	21.80
Missouri	13.92
Nebraska	28.20
Oklahoma	-21.23
Five-State Region	11.45
United States	29.65

and the four bordering states by the percentage improvement of scope and quality of public services. The percentage improvement of scope and quality is also provided for the five-state region and the United States in this table. Kansas ranks first in the five-state region in the improvement of scope and quality although it showed the smallest population increase. The improvement rate for Kansas was 2.8 times greater than for the rest of the region and almost 3.0 percent more than the United States.

The Effect of Population, Price, and Improvement on Categories of Kansas Expenditures

This section is a refinement of the three-part method of analyzing changes in public expenditures used in the previous section. In section three, one population figure for each state and one price index were used to measure the changes in expenditures due to workload changes and inflation. This method allows a clear, overall picture to be drawn while comparing states, but, for comparisons within a state, greater detail and refinement are necessary. For this section, the twelve categories of public expenditures in Kansas have been analyzed separately and in as great a detail as the data will allow. Changing workloads were measured for each of the twelve categories and more detailed price indexes were used; for some categories, more than one price index was used. The twelve categories of expenditure were further divided between state and local expenditures. The results of this analysis are presented in Table 6.

The importance of the three factors affecting changes in public expenditures varies considerably between the expenditure categories. For example, changes in workload are of little importance in explaining increased expenditures by the State for health and hospital services and public welfare. But workload changes are a significant factor in explaining the expenditure increases by the State in education, highways, and police protection. Rather than discuss each of the twelve expenditure categories separately, only the four largest expenditure categories—education, highways, public welfare, and health and hospitals—will be discussed.

The most remarkable aspect of the change in the state's expenditures for education is the different effect of workload changes and improvement changes at the state and at the local level. At the state level, over half the change in expenditures is due to workload increases; at the local level, workload changes are slightly less than 12 percent, but changes in scope and quality account for over 55 percent of the expenditure change. Price changes have a similar effect at both the state and local levels. When the state and local figures are combined, the preponderance of local expenditure is evident. The combined state and local effect of workload changes is 23.24 percent, whereas the effect of changes in scope and quality is 47.86 percent.

State changes in expenditures and local changes in expenditures for highways have a similar pattern when analyzed by the three-factor method. Price changes have the most important effect on expenditure changes for both levels, with workload changes second and scope and quality changes third in importance. When the state and local government expenditures are combined, price changes account for 51.87 percent of the change from 1967 to 1977, workload changes account for 30.99 percent, and scope and quality changes account for 17.54 percent.

Analyzing the changes in expenditures for public welfare by level of government represents a special problem. Between 1967 and 1977, administrative control of public welfare passed from primarily the local level to primarily the state level. In 1967, over 90 percent of public welfare came from the local level while, by 1977, over 98 percent was administered at the state level. This type of radical administrative alteration makes an analysis at just the state level or just the local level meaningless. Thus, in Table 6, state and local expenditures are combined under state expenditures for public welfare. Nearly all of the change in expenditures is the result of improvements in the scope and quality of public welfare.

Health and hospital service is another category where the increase in expenditures—both state and local—is dominated by improved scope and quality of service. In both the state and local cases, price changes represent a distant second in importance with changes due to workload minuscule. Using combined state and local expenditures, improvements in the scope and quality of service account for 73.11 percent of the total change, price changes account for 26.03 percent, and workload changes represent only 0.86 percent of the total change in expenditures.

One advantage of Table 6 is that hypothetical changes in governmental policy can be examined. For example, if governmental policy through the ten-year period had been simply to freeze the level of scope and quality of governmental service, a three-step methodology provides an estimated answer to this question of what would have been the changes in governmental expenditures.

1. Subtract 1967 expenditures from 1977 expenditures.
2. Add together the percentage change due to workload and price level changes and divide by 100. (For example, 20 percent + 50 percent = 70 percent. Then 70 percent divided by 100 yields 0.70.)
3. Multiply the result of step 1 by step 2 and add this result to the 1967 expenditure level.

The result is an estimate of 1977 Kansas expenditures if, from 1967 to 1977, the scope and quality of public service were held constant.

Taking this change in expenditures and breaking it down into an annual percentage change yields some interesting results. In order to maintain the same level of scope and quality of governmental services, state expenditures would have had to increase at an annual rate of 4.78 percent, while under the same condition local govern-

Table 6
The Relative Importance of Workload, Price Level, and Scope and Quality Changes on the Increase in Kansas Government Expenditures, 1967-1977

Expenditure Categories	Expenditures 1967 (million of dollars)	Expenditures 1977 (million of dollars)	1967-77 (percent)	Percentage distribution of increase by generating factor: Work-loads	Prices	Scope and Quality
State Government						
Education	122.0	319.1	161.6	50.22	23.98	25.80
Highways	180.3	197.1	82.0	32.22	53.94	13.84
Public Welfare	73.5	296.5	303.4	0.70	10.70	88.60
Health and Hospitals	41.0	126.9	209.5	1.03	20.01	78.96
Police Protection	4.5	10.2	126.7	34.90	55.14	9.96
Financial Administration	7.3	26.6	264.4	1.20	29.40	69.40
General Control	4.8	19.7	310.4	1.04	27.73	71.23
Interest on General Debt	8.6	12.8	48.8			
Other	44.1	139.0	215.2	1.42	66.51	32.07
Local Government						
Education	325.0	782.9	140.9	11.62	31.01	57.36
Highways	74.0	142.8	93.0	29.40	48.28	22.32
Health and Hospitals	28.2	130.9	364.2	0.71	31.07	68.22
Police Protection	17.1	86.5	405.9	15.14	23.88	60.98
Fire Protection	11.8	35.2	198.3	26.28	40.80	32.92
Sewage and Sanitation	15.8	83.0	425.3	22.05	17.19	60.76
Local Parks and Recreation	10.0	29.2	199.0	2.10	84.35	13.55
Financial Administration	9.0	17.9	115.6	2.70	67.23	30.07
General Control	12.8	46.4	262.5	1.22	32.02	66.76
Interest on General Debt	16.2	59.0	264.2			
Other	67.2	213.7	218.0	1.41	65.95	32.64

mental expenditures would have had to increase at an annual rate of 6.32 percent. At the state level, the three categories that would require the greatest increase in expenditures to maintain the same scope and quality of services were other governmental services (9.43 percent), education (8.20 percent), and police protection (7.87 percent). The smallest necessary change by far is for the category of highway services (0.78 percent). At the local level, the two categories that would have required the largest changes in expenditure are sewage and sanitation (10.32 percent) and local parks and recreation (10.28 percent); the category requiring the smallest change in expenditure is education (4.82 percent). If state and local governmental expenditures are combined, then the maintenance of the same scope and quality of governmental services would require a 5.05 percent annual increase in the combined expenditures of state and local governments in Kansas.

The rate of improvement of the scope and quality of Kansas public services was the highest in the region during this ten-year period and higher than the national rate of improvement.

Summary

Expenditures by state and local governments in Kansas rank third in the five-state region. In per capita terms, Kansas ranks second in the region, almost $100 above the region's per capita expenditures; in terms of a percentage of personal income, Kansas ranks fourth in the region, just slightly below the figure for the region. The growth in Kansas expenditures from 1967 to 1977 ranked third in the region, was above the region's growth rate, and was below the national growth rate. The rate of improvement of the scope and quality of Kansas public services was the highest in the region during this ten-year period and higher than the national rate of improvement. When the different categories of expenditure within Kansas are compared, there is a wide variance between the relative importance of increased workload, price changes, and increased scope and quality of service in explaining the expenditure changes of individual categories. Overall, even though inflation was the dominant factor in the increase in Kansas governmental expenditures, the improved scope and quality of Kansas public services from 1967 to 1977 was a significant factor.

Footnotes

[1]Direct general expenditures include payments to employees, suppliers, contractors, beneficiaries, and other final recipients of governmental payments; i.e., all expenditures other than intergovernmental expenditures. These expenditures also include money from the federal government but spent by state and local governments; the data only counts the expenditures by the "final" level of government. All expenditures of governments are included other than utility expenditures, liquor store expenditures, and insurance-trust expenditures.

[2]Emil M. Sunley, Jr., "State and Local Governments," *Setting National Priorities: The Next Ten Years*, eds. Henry Own and Charles L. Schultze (Washington: The Brookings Institution, 1974).

Kansas in January

General Business

The economic data from the early months of 1980 do not support any conclusive answers to the omnipresent question: whither the national economy? The increasing rate of inflation, a rising unemployment rate, and the continued advance of the prime lending rate suggest that the oft-delayed recession may actually become a reality by third quarter 1980. However, these influences and the consequence they suggest may be mitigated by certain developments in the economy during the months ahead. There is some cause for reasonably expecting that the inflation rate will somewhat abate later this year. Also, the evidence is yet to come in as to what can be expected from the President's latest economic plan announced in March. His call for a balanced budget may help to create an economic environment of greater trust and security that, in turn, may help to calm certain uncontrolled areas in the economy. Further, the prospect of the national election in November may inspire some dramatic mid-year policy change, the nature and effects of which on the economy cannot now be calculated. In summary, it can be said that early 1980 has witnessed more definite signs than did the preceding year of the deterioration in the economy that presages a recession but that this degenerative process may well be balked this year as it was last year. This last possibility would mean a repetition in 1980—though maybe more severe in degree—of the erratic fits and stops in economic activity that characterized 1979.

The Kansas economy in January experienced some of the same problems as did the national economy. Most notable is the dramatic increase in initial claims for unemployment insurance for the second month in a row. As reported last month in *Kansas Business Review*, traditionally, the increase in claims for January represents an adjustment to the seasonally inflated employment during December and the reaction, in the winter, to layoffs in the State's agriculture sector; however, the data for December 1979 also showed a large increase in claims for unemployment. Therefore, this change from the usual pattern of State employment from December to January merits attention as a possible sign that the very strong employment condition in Kansas for the last three years may be weakening in 1980. Other signs suggestive of the erosion in the healthy insularity that Kansas has enjoyed in the recent past from disturbances in the national economy are an

TABLE I
GENERAL BUSINESS INDICATORS

	Jan. 1980	Dec. 1979	% change	Avg. Prior 6 mos.	Annual Avg. 1979
Manufacturing					
Average Work Week (hrs.)	40.50	41.70	– 2.9	41.20	40.70
Average Weekly Earnings (dollars)	289.17	298.57	– 3.1	284.15	240.99
Initial Claims for					
Unemployment Insurance	21,295.00	12,501.00	70.3	8,661.00	8,082.00
New Incorporations					
In-State For Profit	444.00	505.00	– 12.1	392.00	336.00
Out-of-State	74.00	117.00	– 36.8	96.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK
(thousands)

Industry	Jan. 1980	Dec. 1979	% change	Jan. 1979	% change
All Industries	947.7	968.1	– 2.1	914.2	3.7
Manufacturing	199.7	203.5	– 1.9	194.4	2.7
Durable Goods	133.2	135.6	– 1.8	127.8	4.2
Stone, Clay, Glass	8.9	10.4	– 14.4	8.4	6.0
Primary Metals	4.2	3.9	7.7	4.2	0.0
Fabricated Metal Products	13.4	13.7	– 2.2	14.0	– 4.3
Machinery (incl. elec.)	38.4	34.5	11.3	35.8	7.3
Transportation Equipment	56.1	60.0	– 6.5	52.9	6.0
Aircraft & Parts	45.7	49.6	– 7.9	41.1	11.2
Other Durable Goods	12.2	13.2	– 7.6	12.5	– 2.4
Nondurable Goods	66.5	67.9	– 2.1	66.6	– 0.2
Food & Kindred Products	22.7	23.9	– 5.0	22.6	0.4
Meat Products	9.3	9.3	0.0	8.5	9.4
Apparel	3.5	3.4	2.9	3.6	– 2.8
Printing & Publishing	17.1	16.8	1.8	16.3	4.9
Chemicals	8.8	8.7	1.1	8.5	3.5
Petroleum & Coal	4.4	4.8	– 8.3	4.4	0.0
Other Nondurable	10.0	10.3	– 2.9	11.2	– 10.7
Mining	14.2	13.6	4.4	13.0	9.2
Oil & Gas Extraction	12.6	11.2	12.5	11.2	12.5
Contract Construction	45.9	52.1	– 11.9	39.2	17.1
Trans., Comm., Elec., Gas	65.1	67.1	– 3.0	63.4	2.7
Wholesale Trade	64.4	62.4	3.2	61.6	4.5
Retail Trade	162.7	170.9	– 4.8	158.0	3.0
Finance, Insurance, Real Estate	46.1	47.5	– 2.9	44.6	3.4
Services	167.0	166.4	0.4	158.0	5.7
Federal Government	26.2	25.7	1.9	26.0	0.8
State & Local Government	156.4	158.9	– 1.6	156.0	0.3

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

increasing rate of unemployment and a level of retail sales not sufficient to offset the effects of inflation. (See Table I.)

Employment

The January data for nonfarm wage and salary employment—as reported by the Research and Analysis Section of the Kansas Department of Human Resources—show a 2.1 percent decline in the number of persons employed in all industries since December. Of the ten major categories of employment, six registered declines. In response to seasonal inactivity, contract construction had the largest decline in unemployment (– 11.9 percent); State and local government the smallest (– 1.6 percent). Employment in the subcategory of aircraft and parts is of particular interest. The number of employed dropped 7.9 percent from December to January (49,600 to 45,700), and it is unlikely that the December level will be matched in the months ahead. Rising interest rates and the declining purchasing power of consumers have resulted in a marked slowdown in the production of small aircraft; therefore, it is possible that the boom in the aircraft industry is over and that its employment will continue to drop from the December high. Among the four categories that experienced gains in employment, mining had the largest increase (4.4 percent), services the smallest (0.4 percent). Although this record of general declines in employment by industrial place of work in January appears to substantiate the thoughts expressed above concerning a change to the worse in the State's employment picture, it is important to note that this data is more reflective of the traditional January downswing in the number of persons employed. The industries covered by the data are generally those that are most responsive to the increase in business during December, and, moreover, they are concentrated in a relatively few distinct

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Jan. 1980	Dec. 1979	% change	Jan. 1979	% change
Kansas—Statewide					
Civilian Labor Force	1,213,400	1,215,700	– 0.2	1,155,000	5.1
Employed	1,169,400	1,176,900	– 0.6	1,112,900	5.1
Farm	47,900	51,500	– 7.0	49,000	– 2.2
Non-Farm	1,121,500	1,125,400	– 0.3	1,063,900	5.4
Unemployed	44,000	38,800	13.4	42,100	4.5
Rate	3.6%	3.2%		3.6%	
Lawrence SMSA					
Civilian Labor Force	34,300	34,600	– 0.9	32,700	4.9
Employed	32,900	33,500	– 1.8	31,500	4.4
Farm	600	600	0.0	600	0.0
Non-Farm	32,300	32,900	– 1.8	30,900	4.5
Unemployed	1,400	1,100	27.3	1,200	16.7
Rate	4.1%	3.2%		3.7%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	270,800	273,000	– 0.8	257,900	5.0
Employed	260,600	264,000	– 1.3	248,000	5.1
Farm	1,000	1,100	– 9.1	1,100	– 9.1
Non-Farm	259,600	262,900	– 1.3	246,900	5.1
Unemployed	10,200	9,000	13.3	9,900	3.0
Rate	3.8%	3.3%		3.8%	
Topeka SMSA					
Civilian Labor Force	94,100	93,400	0.7	92,300	2.0
Employed	89,700	90,000	– 0.3	88,100	1.8
Farm	1,400	1,500	– 6.7	1,500	– 6.7
Non-Farm	88,300	88,500	– 0.2	86,600	2.0
Unemployed	4,400	3,400	29.4	4,200	4.8
Rate	4.7%	3.6%		4.6%	
Wichita SMSA					
Civilian Labor Force	225,600	226,500	– 0.4	213,000	5.9
Employed	219,100	220,800	– 0.8	205,700	6.5
Farm	1,900	2,100	– 9.5	2,000	– 5.0
Non-Farm	217,200	218,700	– 0.7	203,700	6.6
Unemployed	6,500	5,700	14.0	7,300	– 11.0
Rate	2.9%	2.5%		3.4%	

areas in the State. Thus, the data's limited coverage represents only a part of the overall State situation.

Comparing January 1980 data to that of January 1979 further confirms the point just made: that the data for non-farm wage or salary employment by place of work will be the last to reflect any significant erosion in Kansas' employment situation. Over the year, employment for all industries increased 3.7 percent, and all ten categories recorded gains. Contract construction, mining, services, and wholesale trade exceeded the average growth for all industries. Finance, insurance, and real estate; retail trade; transportation and public utilities; and manufacturing were close to the average increase. Federal government and State and local government had increases in employment of 0.8 percent and 0.3 percent, respectively. (See Table II.)

Regional Employment

The regional employment data—wherein one would hope to find more conclusive evidence as to the developing employment picture in Kansas—are not clearly indicative of any one pattern. From December to January, all eleven of the major regional areas registered increases in the number of unemployed persons within a double-digit range of 13.3 percent in the Kansas portion of the Kansas city SMSA to 63.6 percent in the Great Bend region as well as recording at least a four-tenths percentage point rise in their unemployment rates. Also, four of the major areas experienced declines in the number of employed, and nine regions had declines in the size of their labor force. Except for the few exceptions, the regional data mirror or, more frequently, exaggerate the statewide pattern over the month: civilian labor force down 0.2 percent, number of employed down 0.6 percent, number of unemployed up 13.4 percent, and the unemployment rate rising from 3.2 percent in December to 3.6 percent January.

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Jan. 1980	Dec. 1979	% change	Jan. 1979	% change
Barton Co.—Great Bend Area					
Civilian Labor Force	17,525	17,575	– 0.3	16,725	4.8
Employed	17,075	17,300	– 1.3	16,225	5.2
Farm	700	775	– 9.7	725	– 3.4
Non-Farm	16,375	16,525	– 0.9	15,500	5.6
Unemployed	450	275	63.6	500	– 10.0
Rate	2.6%	1.6%		3.0%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,025	16,525	– 3.0	16,025	0.0
Employed	15,275	15,975	– 4.4	15,175	0.7
Farm	625	700	– 10.7	650	– 3.8
Non-Farm	14,650	15,275	– 4.1	14,525	0.9
Unemployed	750	550	36.4	850	– 11.8
Rate	4.7%	3.3%		5.3%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,425	17,825	– 2.2	17,025	2.3
Employed	16,875	17,375	– 2.9	16,550	2.0
Farm	625	675	– 7.4	650	– 3.8
Non-Farm	16,250	16,700	– 2.7	15,900	2.2
Unemployed	550	450	22.2	475	15.8
Rate	3.2%	2.5%		2.8%	
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	20,875	20,975	– 0.5	21,050	– 0.8
Employed	20,200	20,425	– 1.1	20,525	– 1.6
Farm	450	500	– 10.0	450	0.0
Non-Farm	19,750	19,925	– 0.9	20,075	– 1.6
Unemployed	675	550	22.7	525	28.6
Rate	3.2%	2.6%		2.5%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	31,625	32,250	– 1.9	30,850	2.5
Employed	30,700	31,475	– 2.5	29,750	3.2
Farm	1,000	1,075	– 7.0	1,025	– 2.4
Non-Farm	29,700	30,400	– 2.3	28,725	3.4
Unemployed	925	775	19.4	1,100	– 15.9
Rate	2.9%	2.4%		3.6%	
Riley Co.—Manhattan Area					
Civilian Labor Force	20,900	21,675	– 3.6	20,200	3.5
Employed	20,250	21,125	– 4.1	19,475	4.0
Farm	800	850	– 5.9	825	– 3.0
Non-Farm	19,450	20,275	– 4.1	18,650	4.3
Unemployed	650	550	18.2	725	– 10.3
Rate	3.1%	2.5%		3.6%	
Saline Co.—Salina Area					
Civilian Labor Force	25,900	25,575	1.3	25,575	1.3
Employed	24,900	24,825	0.3	24,600	1.2
Farm	525	575	– 8.7	550	– 4.5
Non-Farm	24,375	24,250	0.5	24,050	1.4
Unemployed	1,000	750	33.3	975	2.6
Rate	3.9%	2.9%		3.8%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX
BY BUSINESS CLASSIFICATION
(millions of dollars)

Business Classification	Jan. * 1980	Oct.* 1979	% change	Jan.* 1979	% change
Apparel	32.0	25.0	28.2	27.4	16.8
Automotive	199.1	206.4	– 3.5	175.1	13.7
Food	245.3	233.1	5.2	213.0	15.2
Furniture	45.2	40.2	12.5	39.7	13.9
General Merchandise	151.9	141.7	7.2	135.2	12.4
Lumber and Building Materials	98.1	93.8	4.5	85.7	14.5
Professional and Personal Service	43.2	37.6	14.7	35.1	23.1
Public Utilities	43.5	56.9	– 23.5	93.3	– 53.4
Unclassified	100.5	95.1	5.7	80.9	24.3
Farm and Garden Products	1.1	0.9	22.0	0.8	37.5
Manufacturing and Trading	81.8	71.9	13.8	64.7	26.4
Miscellaneous	2.4	2.4	1.9	2.0	20.0
Total	1044.1	1005.0	3.9	953.0	9.6

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

The comparison between the January 1980 and January 1979 data does not unequivocably show whether the depressed employment activity in January reflects only the usual winter depression or a gradual weakening of the State labor market. On the one hand, the number of employed increased statewide and in nine of the eleven major areas over the year. But, on the other hand, the number of unemployed persons increased statewide and in six of the regions, and the unemployment rate rose in five areas and remained unchanged in one and for the State at large.

It is impossible to draw a definite conclusion from all the Kansas employment data discussed above. The best that can be said is that certain aspects of the data by place of work and by region and State, that the implications of the data for initial claims for unemployment insurance, that the unusual two-month decline in employment, and that the extremes of some of the monthly data all suggest a situation not clearly in keeping with the State's recent record of employment. However, the question remains as to whether or not this change is only a passing aberration or an augur of a new, less healthy condition. (See Table III.)

Retail Sales

Because of the problems with the September retail sales data discussed in last month's *Kansas Business Review*, a meaningful comparison between the quarter ending in October 1979 and that ending January 1980 is impossible. However, an undistorted comparison of January 1980 in January 1979 quarters is possible, and it reveals that retail sales subject to sales tax for the eleven major business classifications rose over the year at double-digit rates of increase with some in excess of the rate of inflation (public utilities sales are excluded because, since July 1979, residential housing has been exempt from paying sales tax on utility purchases). Farm and dairy products, manufacture and trading, unclassified, and professional and personal services experienced increased sales exceeding 20 percent. The seven other categories had increases in sales of over 12 percent, but these rates of increase were not equal to the inflation rate. Therefore, in real terms, retail sales declined during this period for the majority of business classifications; total retail sales also declined in real terms from January 1979 to January 1980. (See Table IV.)

County Retail Sales

The condition of county retail sales continued to improve during the winter of 1979-80. From October to January, 81 of the state's 105 counties registered increases in retail sales, most of which were above the three-month rate of inflation. Roughly two thirds of those counties reporting declines were in the western half of the State and were concentrated along the northwestern border and the western middle. From January 1979 to January 1980, all but two counties (Osborne and Scott) had increased retail sales. Forty-five counties had rates of increase equal to or in excess of the yearly rate of inflation, only 20 counties had single-digit rates of growth. The majority of those counties that failed to keep up with the inflation rate over the year were located in the eastern half of the State, mainly within two geographic areas: the mid-east of the north-eastern corner. (See Table V.)

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * Jan. 1980	Sales * Oct. 1979	Change From Oct. 1979 (%)	Sales * Jan. 1979	Change From Jan. 1979 (%)
Allen	5,341	4,880	9.4	4,799	11.3
Anderson	2,581	2,466	4.7	2,210	16.8
Atchison	5,064	4,753	6.5	4,734	7.0
Barber	2,646	2,491	6.2	2,083	27.0
Barton	24,653	22,750	8.4	20,147	22.4
Bourbon	5,749	5,428	5.9	5,098	12.8
Brown	3,710	3,414	8.7	3,238	14.6
Butler	16,160	15,080	7.2	12,651	27.7
Chase	824	646	27.5	782	5.5
Chautauqua	1,210	1,073	12.8	1,046	15.7
Cherokee	4,530	4,044	12.0	3,889	16.5
Cheyenne	1,402	1,462	– 4.1	1,171	19.7
Clark	686	548	25.2	528	29.7
Clay	3,207	3,123	2.7	3,010	6.5
Cloud	4,695	4,336	8.3	4,130	13.7
Coffey	2,344	2,204	6.3	2,013	16.5
Comanche	614	609	0.7	553	11.0
Cowley	13,718	12,420	10.5	11,591	18.4
Crawford	12,768	12,280	4.0	11,638	9.7
Decatur	1,639	1,606	2.1	1,319	24.3
Dickinson	5,898	6,067	– 2.8	5,443	8.4
Doniphan	2,118	2,083	1.7	2,043	3.7
Douglas	23,899	21,404	11.7	21,103	13.2
Edwards	1,147	979	17.1	933	22.9
Elk	685	645	6.3	635	7.9
Ellis	13,428	13,049	2.9	12,202	10.1
Ellsworth	1,931	2,052	– 5.9	1,571	22.9
Finney	15,703	15,491	1.4	13,629	15.2
Ford	15,147	14,797	2.4	12,162	24.5
Franklin	7,093	6,766	4.8	6,225	13.9
Geary	8,384	8,434	– 0.6	7,420	13.0
Gove	1,310	1,291	1.4	1,250	4.8
Graham	1,714	1,614	6.2	1,236	38.7
Grant	3,647	3,626	0.6	2,995	21.8
Gray	1,792	1,929	– 7.1	1,564	14.6
Greeley	530	601	– 11.8	488	8.7
Greenwood	2,945	2,846	3.5	2,645	11.3
Hamilton	792	743	6.7	764	3.7
Harper	2,874	2,957	– 2.8	2,411	19.2
Harvey	9,744	9,137	6.6	8,307	17.3
Haskell	1,112	1,061	4.8	1,083	2.7
Hodgeman	389	403	– 3.5	324	20.1
Jackson	2,393	2,142	11.7	2,191	9.2
Jefferson	3,759	3,255	– 15.2	2,464	12.0
Jewell	935	873	7.1	902	3.6
Johnson	126,891	116,826	8.6	111,413	13.9
Kearny	762	689	10.7	712	7.0
Kingman	2,768	2,429	14.0	2,096	32.1
Kiowa	1,461	1,375	6.3	1,101	32.8
Labette	8,564	7,636	12.2	7,575	13.1
Lane	889	820	8.4	701	26.8
Leavenworth	12,098	11,649	3.9	11,045	9.5
Lincoln	1,195	1,155	3.4	1,038	15.0

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Jan. 1980	Sales * Oct. 1979	Change From Oct. 1979 (%)	Sales * Jan. 1979	Change From Jan. 1979 (%)
Linn	1,881	1,806	4.1	1,668	12.8
Logan	2,058	1,846	11.5	1,583	29.9
Lyon	14,523	12,750	13.9	12,004	21.0
McPherson	10,114	9,814	3.1	8,849	14.3
Marion	3,978	3,639	9.3	3,377	17.8
Marshall	4,251	3,710	14.6	3,663	16.1
Meade	1,513	1,435	5.4	1,127	34.2
Miami	6,332	5,731	10.5	5,281	19.9
Mitchell	3,878	3,329	16.5	3,169	22.4
Montgomery	16,072	14,792	8.7	14,433	11.4
Morris	1,503	1,441	4.3	1,422	5.7
Morton	1,242	1,140	8.9	1,093	13.6
Nemaha	3,553	3,104	14.5	3,103	14.5
Neosho	8,340	7,220	15.5	6,610	26.2
Ness	1,952	1,735	12.6	1,411	38.4
Norton	2,300	2,331	– 1.4	2,060	11.7
Osage	3,401	3,112	9.3	2,730	24.5
Osborne	1,696	1,805	– 6.0	1,802	– 5.8
Ottawa	1,251	1,178	6.2	1,037	20.6
Pawnee	3,116	3,319	– 6.1	2,518	23.7
Phillips	2,735	2,466	10.9	2,278	20.1
Pottawatomie	4,808	4,345	10.6	3,717	29.3
Pratt	5,451	5,132	6.2	4,333	25.8
Rawlins	1,066	945	12.8	893	19.3
Reno	30,324	28,825	5.2	26,148	16.0
Republic	2,605	2,254	15.6	2,303	13.1
Rice	3,173	3,123	1.6	2,783	14.0
Riley	15,878	15,037	5.6	15,301	3.8
Rooks	3,692	3,427	7.7	2,848	29.7
Rush	1,342	1,367	– 1.8	1,099	22.2
Russell	4,958	4,948	0.2	4,030	23.0
Saline	28,258	27,723	1.9	24,142	17.0
Scott	2,635	2,649	– 0.5	2,637	– 0.1
Sedgwick	201,830	189,136	6.7	172,894	16.7
Seward	13,029	10,323	26.2	10,578	23.2
Shawnee	72,596	74,498	– 2.6	69,500	4.5
Sheridan	1,293	1,130	14.4	1,053	22.7
Sherman	4,218	4,344	– 2.9	3,698	14.1
Smith	1,783	1,926	– 7.4	1,633	9.2
Stafford	1,567	1,569	– 0.1	1,205	30.0
Stanton	819	679	20.7	543	50.7
Stevens	1,557	1,603	– 2.8	1,289	20.8
Sumner	5,968	6,227	– 4.2	5,673	5.2
Thomas	4,739	4,761	– 0.5	4,207	12.7
Trego	1,375	1,336	2.9	1,272	8.1
Wabaunsee	1,125	1,123	0.2	979	15.0
Wallace	648	663	– 2.3	578	12.1
Washington	2,149	2,056	4.5	1,873	14.7
Wichita	956	984	– 2.8	829	15.3
Wilson	2,894	2,733	5.9	2,793	3.6
Woodson	1,174	1,221	– 3.8	905	29.8
Wyandotte	61,426	59,299	3.6	56,200	9.3

Source: Tax Research Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS
(dollars)

Items	Jan. 1980	Dec. 1979	% change	Jan. 1979	% change	Annual Avg. 1979
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.71	3.79	– 2.1	2.95	25.8	3.49
Corn (bu.)	2.50	2.50	0.0	2.25	11.1	2.48
Sorghum (cwt.)	3.85	3.78	1.9	3.34	15.3	3.75
Hay (ton)	51.50	48.00	7.3	52.50	– 1.9	50.17
Soybeans (bu.)	5.92	5.94	– 0.3	6.48	– 8.6	6.72
Livestock & Products						
Beef Cattle (cwt.)	65.70	67.40	– 2.5	63.30	3.8	67.82
Calves (cwt.)	83.90	86.50	– 3.0	78.80	6.5	87.14
Hogs (cwt.)	34.90	37.70	– 7.4	51.60	– 32.4	41.83
Lambs (cwt.)	67.80	64.50	5.1	67.50	0.4	66.18
Sheep (cwt.)	27.30	21.30	28.2	17.50	56.0	21.15
Milk (cwt.)	12.80	12.80	0.0	12.00	6.7	12.24
Prices Paid by Farmers						
Soybean Meal (cwt.)	12.00	12.50	– 4.0	11.50	4.3	12.33
Bran (cwt.)	7.90	7.90	0.0	7.10	11.3	7.55
Beef Conc. (cwt.)	10.00	10.00	0.0	9.30	7.5	9.61
16% Dairy Feed (ton)	160.00	163.00	– 1.8	148.00	8.1	154.50
Hog Conc. (cwt.)	13.50	14.00	– 3.6	13.00	3.8	13.83
Laying Feed (ton)	187.00	189.00	– 1.1	174.00	7.5	180.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture
U.S. Department of Agriculture

Farm Prices

The prices received by Kansas farmers for field crops in January continued their roller-coaster ride begun last year: wheat and soybean prices fell from their December levels, sorghum and hay prices rose, and corn prices remained unchanged. In contrast to the prices posted in January 1979, this January's prices were strikingly higher for wheat, sorghum, and corn; soybean and hay prices were lower.

Three of the livestock and livestock product prices dropped from December to January (beef cattle, calves, and hogs), two rose (lamb and, most strikingly, sheep), and milk prices remained unchanged. Compared to prices a year ago, all prices, except for hogs, were higher. Hog prices declined by a sharp 56 percent. The increases in price for beef cattle, calves, lambs, and milk were quite modest—all single-digit rates far below the rate of inflation.

A comparison of the annual average prices for 1978 and 1979 and the January 1980 prices suggests some cause for concern relative to what Kansas farmers can anticipate for the rest of this year. The annual average prices for field crops, livestock (excepting hogs), and live-stock products in 1979 were dramatically higher than those in 1978, and one consequence of these increases was the sale of $5.8 billion in cash receipts for farm products. The magnitude of this figure and the large rate of increase in prices that it created are unlikely to be matched in 1980; certainly, the January 1980 prices do not indicate any commensurate surge. In fact, many farm analysts are predicting for 1980 a reverse of the pattern set in 1978-79, and their expectation is for a decline in farm income of around 20 percent. This forecast calls for declining field crop prices; in contrast to that prediction, farm analysts anticipate modest improvement in the price situation for Kansas producers of livestock and livestock products in 1980.

The prices paid by Kansas farmers either dropped or remained unchanged from December to January. However, from January 1979 to January 1980, all prices rose. The range of increases was from 3.8 percent for hog concentrate to 11.3 percent for bran. Four of the six products bought by Kansas farmers had prices higher in January than the annual average prices in 1979, but the rates of increase were rather small. These modest increases and the two declines in price appear to represent a cooling-off period in prices following the sharp increases experienced over the last two years. (See Table VI.)

Financial Activity

The January banking data reveal a sharp disparity between the statewide pattern and the performance in the three major banking centers. Statewide, loans declined by 12.4 percent from December to January, demand deposits rose by 4.3 percent, and time and savings deposits declined by 0.1 percent. The most interesting point of

contrast concerns demand deposits: they fell by more than 4.9 percent in Topeka, Wichita, and Kansas City, Kansas. Loans fell sharply in Kansas City, Kansas (– 9.4 percent), in keeping with the statewide trend, but rose slightly in Topeka and Wichita. After a relatively stable performance in December, the loan-to-deposit ratio dropped significantly for the State and moderately in Wichita and Kansas City, Kansas; Topeka banks recorded a slight increase.

Over the year, the loan-to-deposit ratio is 2.3 percent lower across the State, and, from January 1979 to January 1980, it fell 3.3 percent and 8.6 percent in Kansas City, Kansas and Wichita, respectively. For the year, loans rose modestly for the State and in Wichita and Topeka; they declined by 1.1 percent in Kansas City, Kansas. Time and savings deposits increased strongly statewide and in Wichita and Kansas City, Kansas—only moderately in Topeka. Demand deposits rose sharply in Wichita, increased by 5.5 percent in Topeka, and declined in Kansas City, Kansas. (See Table VII.)

The January 1980 figures for savings and loans institutions show that the 1979 pattern of activity continued into the new year. Net new savings and mortgage loans made were down dramatically for the month; they also registered sharp declines in volume from January 1979 to January 1980. (See Table VIII.)

TABLE VII
COMMERCIAL BANKING ACTIVITY

(millions of dollars)

	Jan. 1980	Dec. 1979	% change	Jan. 1979	% change
Kansas—Statewide					
Loans	6,943	7,926	– 12.4	6,555	5.9
Demand Deposits	4,707	4,515	4.3	4,523	4.1
Time & Saving Deposits	8,365	8,370	– 0.1	7,301	14.6
Loan-to-Deposit Ratio	53.1%	61.5%		55.4%	
Kansas City (Wyandotte)					
Loans	462	510	– 9.4	467	– 1.1
Demand Deposits	260	279	– 6.8	277	– 6.1
Time & Saving Deposits	569	578	– 1.6	515	10.5
Loan-to-Deposit Ratio	55.7%	59.5%		59.0%	
Topeka (Shawnee)					
Loans	503	493	2.0	467	7.7
Demand Deposits	328	345	– 4.9	311	5.5
Time & Saving Deposits	511	510	0.2	485	5.4
Loan-to-Deposit Ratio	60.0%	57.7%		58.7%	
Wichita (Sedgwick)					
Loans	1,215	1,212	0.2	1,196	1.6
Demand Deposits	865	916	– 5.6	765	13.1
Time & Saving Deposits	1,239	1,124	10.2	1,039	19.2
Loan-to-Deposit Ratio	57.7%	59.4%		66.3%	

Source: Research Department
Federal Reserve Bank of Kansas City
Institute for Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Jan. 1980	Dec. 1979	% change	Jan. 1979	% change
Net New Savings	15,167	43,656	– 65.3	50,824	– 70.2
Mortgage Loans Made	44,014	51,351	– 14.3	75,662	– 41.8

Source: Federal Home Loan Bank of Topeka

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Who Settles Kansas Labor Disputes? A Profile Of The Region's Labor Arbitrators

Robert A. McLean

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Grievance Arbitration and Grievance Arbitrators

Disputes arising during the lives of labor agreements concerning the rights of employees seldom reach the courts in the United States. Rather, a parallel system of law has developed, its judges accountable to no civil authority: the system of grievance arbitration. Thus, those who settle the 20,000 or so grievances decided in the country annually play an important role in shaping the way business is conducted, yet the arbitrators themselves are an almost invisible group. (For a thorough discussion of the arbitration process, see Elkouri and Elkouri, *How Arbitration Works*, third edition, Bureau of National Affairs, 1973.)

From the work of other scholars, a few generalizations can be made about the nation's arbitrators (one source is Krislov, "The Supply of Arbitrators: Prospects for the 1980's," *Monthly Labor Review*, October 1976). First, there are relatively few individuals engaged in arbitration, most on a part-time basis. Only about 100 persons are full-time arbitrators. Second, arbitrators tend to be older than the general population. In part, this difference reflects the reluctance of labor and management to trust grievance decisions to the young and inexperienced. Also, the age of the arbitrator population is due to historical accident, many of today's arbitrators having received their training during service with the War Labor Board during World War II. This group of war-trained arbitrators has been adequate for recent case loads, and there has been no widespread effort to train a younger cohort of grievance arbitrators. Third, arbitrators tend to be drawn from two occupational groups, attorneys and college professors (mainly of business administration, economics, and law).

There are two sources of arbitrators for parties desiring their services: the American Arbitration Association (AAA) and the Federal Mediation and Conciliation Service (FMCS). The AAA is a private association supplying, for a fee, lists of arbitrators. The FMCS, a branch of the U.S. Department of Labor, maintains a list of private citizens qualified to arbitrate grievances, which it supplies to parties without charge.

Thus, those who settle the 20,000 or so grievances decided in the country annually play an important role in shaping the way business is conducted, yet the arbitrators themselves are an almost invisible group.

Table I
Major* Collective Agreements in Effect July 1, 1975

	Number of Agreements	Workers Covered
U.S.	1,514	7,069,750
Region VII	49	126,800
Kansas	**3**	**12,750**
Iowa	9	20,900
Missouri	31	81,050
Nebraska	3	6,600
Multi-state	3	5,500

*All agreements covering 1,000 or more workers.

Source: Bureau of Labor Statistics, *Characteristics of Major Collective Bargaining Agreements, July 1, 1975*, Washington D.C.: Government Printing Office, 1977, p. 10.

The Regional Industrial Relations Environment

The Bureau of Labor Statistics defines Region VII as being the states of Kansas, Iowa, Missouri, and Nebraska. Table I shows the breakdown by state of major collective bargaining agreements (defined as those covering 1,000 or more workers) in force in Region VII July 1, 1975. Clearly, collective bargaining is not so prevalent in Region VII as in some other parts of

the nation. Only 3.2 percent of these "major" agreements were negotiated in the four-state area.

Of the four states in Region VII, three (Kansas, Iowa, and Nebraska) have right-to-work laws. These laws, sanctioned by Section 14 (b) of the Taft-Hartley Act, make agreements requiring union membership of employees illegal. Such laws may have several effects on the industrial relations environments of the states in which they are in force. First, paradoxically, they may make it easier for unions to win representation elections. Potentially represented employees may be more likely to vote for union representation if they view as small the probability that they will have to pay union dues. On the other hand, unions may be less likely to engage in organizing activity in states in which they may be required to offer services to nonmembers. Similarly, right-to-work laws almost surely tend to reduce the percentage of the workforce actually paying dues to unions. Thus, in states in which right-to-work laws are in force, unions can be expected to be weaker organizations than in non-right-to-work states. For the purposes at hand, one would expect fewer grievances to reach the stage of arbitration in right-to-work states than in non-right-to-work states, all other considerations being equal.

Region VII Labor Arbitrators: A Statistical Profile

Table II presents a statistical profile of labor arbitrators practicing in Region VII. These data were drawn from biographical sketches of arbitrators provided by the FMCS. Individuals were classified by state according to their business addresses. It should be emphasized that, if one were to request a list of arbitrators, the FMCS would not limit itself to names of arbitrators residing in the state in which the grievance is to be decided. Rather, arbitrators practicing in nearby states would also be considered.

As is clearly shown in Table II, the "typical" arbitrator in the sample is a middle-aged male attorney. The mean age of the group is quite high—58 years. The youngest arbitrator in the sample is 32 years old, while the oldest is 84. Only Iowa's arbitrators are significantly younger than the overall regional average, probably reflecting the relatively greater participation of

The number of arbitrators based in Kansas may be adequate for the current case load . . . but it may not be adequate for future demands.

that state's university professors. Only one woman in the four-state region is listed by the FMCS as being a practicing arbitrator.

Per diem fees for the arbitrators in the sample vary somewhat but are centered around $250. Fees range from $150 to $350 within the sample. While data for arbitrators nationwide are not available, casual observation suggests that the fees charged by Region VII arbitrators are fairly typical of the nation as a whole.

Of particular interest is the role of attorneys in the arbitration profession. Sixty-one percent of the individuals in the sample are attorneys (professors holding law degrees were classified as both professors and attorneys; full-time arbitrators holding law degrees were classified as arbitrators only). This finding supports two conclusions. First, legal training is the preferred route to the practice of arbitration. Second, parties engaged in grievance arbitration prefer to have an arbitrator who is familiar with the myriad of laws and regulations that now surround the employer/employee relationship.

Membership in the National Academy of Arbitrators (NAA) is an honor bestowed on distinguished members of the arbitration profession. Using NAA membership as a measure of the status of arbitrators sheds some light on the position of Region VII arbitrators in their own professional hierarchy. Kansas and Nebraska arbitrators appear to be, on average, fairly low in the status hierarchy, according to the NAA membership measure. On the other hand, 40 percent of Iowa arbitrators (again, reflecting the participation of a distinguished group of academics) and 34 percent of Missouri arbitrators are members of the NAA.

Among interstate differences within the sample, the most striking is the numerical dominance of Missouri-based arbitrators. Fully 64 percent of the arbitrators in Region VII practice from offices in Missouri. In part, this dominance reflects the active labor relations climate in that state. Table I shows that, of the 46 major contracts that can be attributed to only one state in the region, almost 85 percent can be ascribed to Missouri.

The Future for Kansas

Some issues specific to Kansas-based arbitrators remain to be discussed. First, the solution of industrial grievances through voluntary arbitration is an ever more common occurrence. The number of arbitrators based in Kansas may be adequate for the current case load (especially given the presence of the large stock of qualified persons in Missouri), but it may not be adequate for future demands.

Table II
Characteristics of Labor Arbitrators

	Kansas*	Iowa*	Missouri*	Nebraska*	Region VII
Total	5	10	38	6	59
Women	0	0	1	0	1
Mean Per Diem Fee	$275.00	$250.00	$247.76	$245.83	$249.44
Mean Age	60.4	53.1	59.5	64.5	58.0
Number of Members of N.A.A.	1	4	13	0	18
Attorneys**	4	4	24	4	36
Professors**	2	7	11	2	22
Arbitrators (n.e.c.)***	0	0	7	2	9

*Classification by state is based on business address
**An individual may be counted as both an attorney and as a professor
***This category includes some retired attorneys and professors

Source: Federal Mediation and Conciliation Service, 1979.

Further, one may question whether or not Kansans, if demand increases, will want to rely extensively on arbitrators from another state. It may be a better policy to develop an indigenous group of arbitrators, familiar with the industries, industrial relations practices, and bargaining parties of Kansas. If a local supply of arbitrators is to be developed, they must be selected and trained. No formal mechanism for that selection and training exists. In that, Kansas shares a problem with the rest of the United States.

A related matter is the reluctance of the faculty of Kansas' colleges and universities to become involved in the arbitration profession. University faculty nationwide form a source of highly trained and motivated individuals who can enter arbitration with unquestioned neutral status. Development of a qualified force of arbitrators for the future of Kansas might begin in the universities. To that end, recent employment of university faculty as fact-finders for the Kansas Public Employment Relations Board may be a step in the right direction.

Kansas in February

General Business

The economic data for February supply a preliminary answer to the question asked last month in *Kansas Business Review:* In what direction is the 1980 national economy headed? It appears that the size of the national economy (as measured by GNP) temporarily peaked at the end of January. Therefore, although the first quarter GNP figure may indicate some growth, this growth is due to the strong activity of the economy in January which offset the weak performance of the economy in February and March. If the recession does begin with the second quarter of 1980, then the coming year will be one wherein real GNP was larger in January 1980 than in December 1980. Inflation should moderate during the recession, although it certainly did not moderate during the first quarter of 1980. However, along with the expected moderation in inflation due to the slackening of demand comes the opposite side of the coin: increasing unemployment, declining sales, and loss of consumer confidence.

The downturn in the national economy appears to be spilling over into the Kansas economy. The average weekly earnings for manufacturing fell for the second month in a row and is now 4.7 percent below the December 1979 figure and only 5.4 percent above the same figure for February 1979. The Kansas City CPI rose over 15 percent during this period; thus, workers' real wages fell more than 10 percent from February 1979 to February 1980. Along with the drop in wages, manufacturing workers have also experienced a decline in their work week in each of the past two months which totals to a 4.8 percent drop since December 1979. Also, initial claims for unemployment insurance for the past three months are dramatically higher than for the same three months a year ago. The increase in initial claims for unemployment and the drop in the work week indicate that, at least in the near future, Kansas's employment picture will probably get worse. (See Table I.)

Employment

As reported by the Research and Analysis Section of the Kansas Department of Human Resources, the February data for nonfarm wage and salary employment show a 0.5 percent decline in the number of persons employed in all industries since January. Of the ten major categories of employment, seven registered declines. Contract construction recorded the

TABLE I
GENERAL BUSINESS INDICATORS

	Feb. 1980	Jan. 1980	% change	Avg. Prior 6 mos.	Annual Avg. 1979
Manufacturing					
Average Work Week (hrs.)	39.70	40.50	– 2.0	41.10	40.70
Average Weekly Earnings (dollars)	284.65	289.17	– 1.6	287.35	240.99
Initial Claims for					
Unemployment Insurance	11,065.00	21,295.00	– 48.0	10,105.00	8,082.00
New Incorporations					
In-State For Profit	368.00	444.00	– 17.1	402.00	336.00
Out-of-State	81.00	74.00	9.5	92.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK

(thousands)

Industry	Feb. 1980	Jan. 1980	% change	Feb. 1979	% change
All Industries	943.2	947.7	– 0.5	920.1	2.5
Manufacturing	197.7	199.7	– 1.0	196.0	0.9
Durable Goods	132.5	133.2	– 0.5	128.9	2.8
Stone, Clay, Glass	8.9	8.9	0.0	8.3	7.2
Primary Metals	4.2	4.2	0.0	4.1	2.4
Fabricated Metal Products	13.0	13.4	– 3.0	13.9	– 6.5
Machinery (incl. elec.)	38.1	38.4	– 0.8	36.6	4.1
Transportation Equipment	56.3	56.1	0.4	53.6	5.0
Aircraft & Parts	46.1	45.7	0.9	41.7	10.6
Other Durable Goods	12.0	12.2	– 1.6	12.4	– 3.2
Nondurable Goods	65.2	66.5	– 2.0	67.1	– 2.8
Food & Kindred Products	22.0	22.7	– 3.1	22.5	– 2.2
Meat Products	8.9	9.3	– 4.3	8.7	2.3
Apparel	3.4	3.5	– 2.9	3.6	– 5.6
Printing & Publishing	17.2	17.1	0.6	16.6	3.6
Chemicals	8.9	8.8	1.1	8.5	4.7
Petroleum & Coal	3.9	4.4	– 11.4	4.4	– 11.4
Other Nondurable	9.8	10.0	– 2.0	11.5	– 14.8
Mining	13.6	14.2	– 4.2	12.8	6.3
Oil & Gas Extraction	11.7	12.6	– 7.1	11.2	4.5
Contract Construction	41.9	45.9	– 8.7	38.6	8.5
Trans., Comm., Elec., Gas	64.4	65.1	– 1.1	64.1	0.5
Wholesale Trade	63.8	64.4	– 0.9	61.6	3.6
Retail Trade	160.3	162.7	– 1.5	156.5	2.4
Finance, Insurance, Real Estate	46.0	46.1	– 0.2	44.7	2.9
Services	168.2	167.0	0.7	159.6	5.4
Federal Government	26.3	26.2	0.4	25.9	1.5
State & Local Government	161.0	156.4	2.9	160.3	0.4

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Feb. 1980	Jan. 1980	% change	Feb. 1979	% change
Kansas—Statewide					
Civilian Labor Force	1,196,800	1,192,000	0.4	1,166,200	2.6
Employed	1,147,900	1,147,900	0.0	1,126,800	1.9
Farm	53,200	47,900	11.1	54,400	− 2.2
Non-Farm	1,094,700	1,100,000	− 0.5	1,072,400	2.1
Unemployed	45,000	44,100	2.0	39,400	14.2
Rate	3.8%	3.7%		3.4%	
Lawrence SMSA					
Civilian Labor Force	35,300	34,400	2.6	33,900	4.1
Employed	34,000	33,000	3.0	32,700	4.0
Farm	700	600	16.7	700	0.0
Non-Farm	33,300	32,400	2.8	32,000	4.1
Unemployed	1,300	1,400	− 7.1	1,200	8.3
Rate	3.7%	4.1%		3.5%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	270,300	270,100	0.1	257,800	4.8
Employed	259,200	259,800	− 0.2	248,400	4.3
Farm	1,200	1,100	9.1	1,200	0.0
Non-Farm	258,000	258,700	− 0.3	247,200	4.4
Unemployed	11,100	10,300	7.8	9,400	18.1
Rate	4.1%	3.8%		3.6%	
Topeka SMSA					
Civilian Labor Force	95,100	94,500	0.6	93,100	2.1
Employed	90,400	90,100	0.3	89,100	1.5
Farm	1,600	1,400	14.3	1,600	0.0
Non-Farm	88,800	88,700	0.1	87,500	1.5
Unemployed	4,700	4,400	6.8	4,000	17.5
Rate	4.9%	4.7%		4.3%	
Wichita SMSA					
Civilian Labor Force	226,100	225,600	0.2	214,500	5.4
Employed	219,200	219,100	0.0	207,700	5.5
Farm	2,200	1,900	15.8	2,200	0.0
Non-Farm	217,000	217,200	− 0.1	205,500	5.6
Unemployed	6,900	6,500	6.2	6,800	1.5
Rate	3.1%	2.9%		3.2%	

largest decline of 8.5 percent; finance, insurance, and real estate the smallest at 0.2 percent. State and local government, services, and federal government had increases in employment of 2.9 percent, 0.7 percent, and 0.4 percent, respectively. In general, the February data for employment by place of work either reflects a temporary disequilibrium in a few special labor markets or a period of instability preceding a dramatic downward swing in employment. March and April data should clarify the emerging condition of the State's labor market. The pattern of near uniform declines discussed above reveals, in part, the traditional winter depression in the Kansas labor market; however, the extremes of some of the data also suggest a deteriorating situation.

The comparison of the February 1980 data to that of February 1979 provides another perspective upon the State's employment picture in the late winter and early spring of this year. Over the year, employment in all industries increased 2.5 percent, and all ten major categories recorded gains. Therefore, it is clear that the February 1980 data still show the influence of the past year's notable achievements in employment; however, it is significant as well that the 2.5 percent increase is the smallest such figure recorded since November, 1977. That is, this comparative data shows employment in Kansas leveling off after almost three years of steady high growth. A two-year comparison of the data from the manufacturing category provides a good indication of this development in Kansas employment early this year. From February 1978 to February 1979, manufacturing employment increased by 10.3 percent; from February 1979 to February 1980, the increase was only 0.9 percent. (See Table II.)

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Feb. 1980	Jan. 1980	% change	Feb. 1979	% change
Barton Co.—Great Bend Area					
Civilian Labor Force	17,750	17,525	1.3	17,050	4.1
Employed	17,300	17,075	1.3	16,550	4.5
Farm	775	700	10.7	800	– 3.1
Non-Farm	16,525	16,375	0.9	15,750	4.9
Unemployed	450	450	0.0	500	– 10.0
Rate	2.5%	2.6%		2.9%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,600	16,025	3.6	16,400	1.2
Employed	15,750	15,275	3.1	15,500	1.6
Farm	700	625	12.0	725	– 3.4
Non-Farm	15,050	14,650	2.7	14,775	1.9
Unemployed	850	750	13.3	900	– 5.6
Rate	5.1%	4.7%		5.5%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,675	17,425	1.4	17,475	1.1
Employed	17,125	16,875	1.5	17,050	0.4
Farm	700	625	12.0	725	– 3.4
Non-Farm	16,425	16,250	1.1	16,325	0.6
Unemployed	550	550	0.0	425	29.4
Rate	3.1%	3.2%		2.4%	
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	20,875	20,875	0.0	21,325	– 2.1
Employed	20,175	20,200	– 0.1	20,800	– 3.0
Farm	500	450	11.1	525	– 4.8
Non-Farm	19,675	19,750	– 0.4	20,275	– 3.0
Unemployed	700	675	3.7	525	33.3
Rate	3.4%	3.2%		2.5%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	31,900	31,625	0.9	31,200	2.2
Employed	30,900	30,700	0.7	30,125	2.6
Farm	1,125	1,000	12.5	1,150	– 2.2
Non-Farm	29,775	29,700	0.3	28,975	2.8
Unemployed	1,000	925	8.1	1,075	– 7.0
Rate	3.1%	2.9%		3.4%	
Riley Co.—Manhattan Area					
Civilian Labor Force	21,975	20,900	5.1	21,350	2.9
Employed	21,175	20,250	4.6	20,575	2.9
Farm	900	800	12.5	900	0.0
Non-Farm	20,275	19,450	4.2	19,675	3.0
Unemployed	800	650	23.1	775	3.2
Rate	3.6%	3.1%		3.6%	
Saline Co.—Salina Area					
Civilian Labor Force	26,025	25,900	0.5	25,600	1.7
Employed	24,900	24,900	0.0	24,625	1.1
Farm	600	525	14.3	600	0.0
Non-Farm	24,300	24,375	– 0.3	24,025	1.1
Unemployed	1,125	1,000	12.5	975	15.4
Rate	4.3%	3.9%		3.8%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX
BY BUSINESS CLASSIFICATION
(millions of dollars)

Business Classification	Feb. * 1980	Nov.* 1980	% change	Feb.* 1979	% change
Apparel	38.7	24.3	59.3	32.1	20.6
Automotive	194.6	194.4	0.1	172.6	12.7
Food	252.9	215.3	17.5	216.0	17.1
Furniture	49.6	38.1	30.2	41.5	19.5
General Merchandise	194.6	129.9	49.8	159.7	21.9
Lumber and Building Materials	99.5	87.1	14.2	81.8	21.6
Professional and Personal Service	44.2	36.0	22.8	34.4	28.5
Public Utilities	42.5	46.5	– 8.6	93.5	– 54.5
Unclassified	103.7	90.3	14.8	83.9	23.6
Farm and Garden Products	1.1	0.8	37.5	0.8	37.5
Manufacturing and Trading	84.6	70.6	19.8	63.4	33.4
Miscellaneous	2.5	2.3	8.7	1.7	47.1
Total	1109.0	936.1	18.5	981.5	13.0

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

Regional Employment

The regional employment data supplied by the Research and Analysis Section of the Kansas Department of Human Resources gives a more emphatic picture of the erosion in State employment. From January to February, eight of the eleven major regional areas recorded rising rates of unemployment and increases in the number of unemployed. The statewide data reveal the same pattern: the Kansas unemployment rate rose from 3.7 percent in January to 3.8 percent in February, and the number of persons unemployed rose 2.0 percent. The influence of this upward movement in the number of unemployed was fueled by increases in all eleven areas in the size of the civilian labor force, the effects of which were not balanced by commensurate gains in the number of employed. The special case of the February 1980 data in comparison to that of January 1980 is further illustrated upon looking at comparable two-month data of a year ago. Then, the monthly data showed a general pattern of falling unemployment rates, of declines in the number of unemployed, and of increases in the size of the civilian labor force exceeded by increases in the number of employed—just the reverse of the February 1980 pattern.

The comparison of the February 1980 and February 1979 data substantiates the picture of an eroding labor market. Over the year, the unemployment rate for the State rose from 3.4 percent to 3.8 percent, and the number of unemployed increased a sharp 14.2 percent. Again, looking at the data from the preceding year (February 1978-February 1979) affords an illuminating contrast. During that year's time, the unemployment rate *fell* from 4.0 percent to 3.5 percent, and the number of unemployed *declined* 10.7 percent. For this most recent year, six regional areas also registered rising rates of unemployment, and eight experienced increases in the number of people unemployed. (See Table III.)

Retail Sales

The presence of the misleading September data in the quarter ending in November 1979 renders impossible a meaningful comparison with the December-January-February quarter. However, an accurate comparison of February 1980 and February 1979 quarters is possible, and it reveals a rather startling development in retail sales across the State. Although total retail sales for all business classifications increased at a rate (13 percent) below the rate of inflation, nine of the eleven major classifications (excluding public utilities) had increases in sales in excess of the yearly inflation rate. Food sales were approximately equal to the rate of inflation, and automobile sales lagged behind; however, all other categories had increases in excess of 19 percent. Of these nine, the small miscellaneous class had the greatest increase at 47.1 percent; at the other end of this range of increases, furniture recorded a gain over the year of 19.5 percent. This data is difficult to interpret because this pattern of significant growth in retail sales occurs in an environment of depressed economic activity. One interpretation could be that these retail sales figures testify to Kansas' relative immunity from a deteriorating national economy, but the possibility also exists that the data reflect noneconomic influences, such as disturbances in the usual method of sales tax collections. It is interesting to note that, if the data is accurate, the behavior of retail sales in Kansas contrasts sharply to that of employment: whereas the downward swing in employment suggests that Kansas is participating in the nation's drift towards a recession, the upward movement in retail sales suggests otherwise. (See Table IV.)

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * Feb. 1980	Sales * Nov. 1979	Change From Nov. 1979 (%)	Sales * Feb. 1979	Change From Feb. 1979 (%)
Allen	5,901	4,577	28.9	4,781	23.4
Anderson	2,645	2,269	16.5	2,000	32.2
Atchison	5,393	4,513	19.5	4,694	14.9
Barber	2,649	2,355	12.5	2,067	28.2
Barton	27,551	21,570	27.7	20,691	33.2
Bourbon	6,212	5,048	23.1	5,132	21.0
Brown	3,872	3,200	21.0	3,294	17.6
Butler	16,647	14,295	16.5	13,042	27.6
Chase	856	645	32.7	713	20.1
Chautauqua	1,269	996	27.4	983	29.0
Cherokee	4,530	3,850	17.7	3,940	15.0
Cheyenne	1,652	1,291	28.0	1,113	48.5
Clark	714	494	44.4	519	37.4
Clay	3,558	2,805	26.9	3,042	17.0
Cloud	5,172	4,084	26.6	4,438	16.5
Coffey	2,286	1,990	14.9	1,904	20.1
Comanche	630	491	28.3	523	20.3
Cowley	15,290	11,402	34.1	12,274	24.6
Crawford	13,480	11,523	17.0	11,368	18.6
Decatur	1,683	1,493	12.7	1,328	26.7
Dickinson	6,419	5,433	18.2	5,383	19.2
Doniphan	1,840	2,096	– 12.2	1,904	– 3.4
Douglas	24,456	20,738*	17.9	21,094	15.9
Edwards	1,086	1,017	6.9	944	15.0
Elk	731	571	28.0	636	14.9
Ellis	14,476	11,979	20.8	12,112	19.5
Ellsworth	1,887	1,922	– 1.9	1,604	17.6
Finney	16,637	14,054	18.4	14,165	17.5
Ford	16,342	13,773	18.7	12,952	26.2
Franklin	7,630	6,340	20.3	6,199	23.1
Geary	9,124	7,438	22.7	7,734	18.0
Gove	1,422	1,134	25.3	1,238	14.9
Graham	1,849	1,529	21.0	1,294	42.9
Grant	3,917	3,443	13.8	3,082	27.1
Gray	1,926	1,617	19.1	1,679	14.7
Greeley	567	476	19.0	450	26.0
Greenwood	2,953	2,641	11.8	2,415	22.3
Hamilton	780	780	0.0	775	0.7
Harper	3,025	2,794	8.3	2,427	24.6
Harvey	10,639	8,581	24.0	8,535	24.7
Haskell	1,120	999	12.2	980	14.3
Hodgeman	375	385	– 2.5	341	10.2
Jackson	2,457	2,064	19.0	2,288	7.4
Jefferson	2,863	2,984	– 4.1	2,122	34.9
Jewell	953	748	27.4	841	13.3
Johnson	137,627	111,181	23.8	113,263	21.5
Kearny	778	657	18.5	660	17.9
Kingman	2,897	2,232	29.8	2,101	37.9
Kiowa	1,430	1,256	13.8	1,091	31.0
Labette	8,724	7,287	19.7	7,762	12.4
Lane	888	806	10.2	709	25.1
Leavenworth	12,750	10,581	20.5	11,104	14.8
Lincoln	1,174	1,026	14.4	1,039	13.0

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Feb. 1980	Sales * Nov. 1979	Change From Nov. 1979 (%)	Sales * Feb. 1979	Change From Feb. 1979 (%)
Linn	1,781	1,753	1.6	1,586	12.3
Logan	1,973	1,772	11.3	1,479	33.4
Lyon	14,415	11,901	21.1	11,904	21.1
McPherson	10,348	9,744	6.2	9,205	12.4
Marion	4,110	3,403	20.8	3,410	20.5
Marshall	4,591	3,454	32.9	3,637	26.2
Meade	1,490	1,339	11.3	1,183	25.9
Miami	6,542	5,637	16.1	5,050	29.5
Mitchell	3,988	3,215	24.1	3,243	23.0
Montgomery	16,767	14,419	16.3	14,708	14.0
Morris	1,615	1,258	28.4	1,411	14.4
Morton	1,338	1,106	21.0	1,101	21.5
Nemaha	3,759	3,019	24.5	3,130	20.1
Neosho	8,920	7,159	24.6	7,073	26.1
Ness	2,124	1,564	35.8	1,446	46.8
Norton	2,501	2,104	18.9	2,074	20.6
Osage	3,495	3,097	12.8	2,725	28.2
Osborne	1,753	1,656	5.9	1,660	5.6
Ottawa	1,264	1,103	14.6	1,033	22.4
Pawnee	3,416	2,980	14.6	2,708	26.1
Phillips	2,819	2,403	17.3	2,388	18.0
Pottawatomie	5,174	3,909	32.4	3,838	34.8
Pratt	5,801	4,532	28.0	4,486	29.3
Rawlins	1,069	899	18.9	880	21.5
Reno	32,768	27,417	19.5	26,536	23.5
Republic	2,619	2,363	10.8	2,196	19.3
Rice	3,372	2,881	17.0	2,842	18.6
Riley	17,176	14,208	20.9	14,759	16.4
Rooks	4,094	3,178	28.8	2,876	42.3
Rush	1,480	1,320	12.2	1,128	31.3
Russell	5,710	4,754	20.1	4,273	33.6
Saline	29,828	25,026	19.2	24,552	21.5
Scott	2,762	2,279	21.2	2,605	6.0
Sedgwick	215,273	177,683	21.2	173,556	24.0
Seward	13,091	10,690	22.5	11,046	18.5
Shawnee	78,240	68,357	14.5	68,790	13.7
Sheridan	1,311	1,077	21.7	1,066	23.0
Sherman	4,560	3,897	17.0	3,737	22.0
Smith	1,934	1,687	14.6	1,690	14.4
Stafford	1,752	1,455	20.3	1,197	46.3
Stanton	863	605	42.7	530	62.9
Stevens	1,597	1,514	5.4	1,370	16.5
Sumner	6,808	5,592	21.7	5,728	18.9
Thomas	4,770	4,378	9.0	4,354	9.6
Trego	1,338	1,328	0.8	1,285	4.1
Wabaunsee	1,139	1,008	12.9	1,025	11.1
Wallace	623	595	4.7	585	6.6
Washington	2,252	1,817	23.9	2,033	10.8
Wichita	953	881	8.2	875	9.0
Wilson	2,890	2,632	9.8	2,897	– 0.3
Woodson	1,197	1,065	12.3	908	31.7
Wyandotte	63,728	56,968	11.9	55,812	14.2

Source: Tax Research Section
Kansas Department of Revenue

County Retail Sales

The comparisons of the two consecutive quarters and of the 1979 and 1980 February quarters substantiate the surprisingly strong showing in retail sales discussed above. Of the State's 105 counties, only four registered declines from the November 1979 quarter to that of February 1980; Hamilton County recorded no change. For this same period, only 10 counties had increases in retail sales below the rate of increase in the CPI. Over the year, only two counties—Doniphan and Wilson—experienced declines in retail sales, and more than two thirds of those 103 counties registering increases had rates of increase exceeding the rate of inflation. Thus, the retail sales data suggest that the growth in retail sales during the early months of 1980 was a strong area in the state's economy—an economy that, in other ways, was reflective of the recessionary environment. (See Table V.)

Farm Prices

The prices received by Kansas farmers for field crops were relatively stable in February, except for hay. Hay prices fell by $7.50 per ton from the January price. The price for wheat increased over the month by only 0.5 percent, corn prices fell a modest 2.0 percent, sorghum prices rose by 1.0 percent, and the price of soybeans remained unchanged. However, when February 1980 prices for field crops are compared to those in February 1979, a pattern of more active changes emerges. Over the year, wheat prices rose by 26.0 percent, corn prices by 9.9 percent, and sorghum prices by 16.1 percent; in the opposite direction of change, hay prices and the price of soybeans fell by a striking 11.7 percent and 14.9 percent, respectively.

Only lamb prices fell from January to February (down 7.1 percent); the prices for all other livestock and livestock products rose within a range of increase from 14.9 percent for beef cattle to 0.8 percent for milk. The sharp upward movement in the price of beef cattle and in sheep prices as well (up 11.4 percent) was in response to two months of rather repressed price activity. Compared to a year ago, this month's prices were dramatically higher for sheep (up 45.5 percent); beef cattle prices rose by 12 percent over the year. Milk and calves prices showed only modest increases (0.7 percent and 6.6 percent, respectively) whereas the prices for hogs and lambs registered severe declines at 33.1 percent and 10.0 percent, respectively. This February 1980 data for field crops, livestock, and livestock products—with the few aforementioned exceptions—shows that farm prices are failing to keep up with either the monthly or quarterly rates of inflation.

The majority of the prices paid by Kansas farmers continued to rise from January to February: bran prices rose by 2.5 percent, 16 percent dairy feed by 0.6 percent, hog concentrate by 3.7 percent, and laying feed by 1.6 percent; soybean meal prices remained unchanged, and beef concentrate

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS
(dollars)

Items	Feb. 1980	Jan. 1980	% change	Feb. 1979	% change	Annual Avg. 1979
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.73	3.71	0.5	2.96	26.0	3.49
Corn (bu.)	2.45	2.50	– 2.0	2.23	9.9	2.48
Sorghum (cwt.)	3.89	3.85	1.0	3.35	16.1	3.75
Hay (ton)	49.00	51.50	– 4.9	55.50	– 11.7	50.17
Soybeans (bu.)	5.92	5.92	0.0	6.96	– 14.9	6.72
Livestock & Products						
Beef Cattle (cwt.)	75.50	65.70	14.9	67.40	12.0	67.82
Calves (cwt.)	85.00	83.90	1.3	84.40	0.7	87.14
Hogs (cwt.)	35.60	34.90	2.0	53.20	– 33.1	41.83
Lambs (cwt.)	63.00	67.80	– 7.1	70.00	– 10.0	66.18
Sheep (cwt.)	30.40	27.30	11.4	20.90	45.5	21.15
Milk (cwt.)	12.90	12.80	0.8	12.10	6.6	12.24
Prices Paid by Farmers						
Soybean Meal (cwt.)	12.00	12.00	0.0	12.00	0.0	12.33
Bran (cwt.)	8.10	7.90	2.5	7.50	8.0	7.55
Beef Conc. (cwt.)	9.80	10.00	– 2.0	9.50	3.2	9.61
16% Dairy Feed (ton)	161.00	160.00	0.6	149.00	8.1	154.50
Hog Conc. (cwt.)	14.00	13.50	3.7	13.50	3.7	13.83
Laying Feed (ton)	190.00	187.00	1.6	174.00	9.2	180.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture
U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY
(millions of dollars)

	Feb. 1980	Jan. 1980	% change	Feb. 1979	% change
Kansas—Statewide					
Loans	6,865	6,937	– 1.0	6,495	5.7
Demand Deposits	4,297	4,519	– 4.9	4,037	6.4
Time & Saving Deposits	8,598	8,420	2.1	7,591	13.3
Loan-to-Deposit Ratio	53.2%	53.6%		55.9%	
Kansas City (Wyandotte)					
Loans	442	460	– 3.9	462	– 4.3
Demand Deposits	251	252	– 0.4	262	– 4.2
Time & Saving Deposits	564	570	– 1.1	520	8.5
Loan-to-Deposit Ratio	54.2%	56.0%		59.1%	
Topeka (Shawnee)					
Loans	497	503	– 1.2	453	9.7
Demand Deposits	309	314	– 1.6	291	6.2
Time & Saving Deposits	516	520	– 0.8	524	– 1.5
Loan-to-Deposit Ratio	60.2%	60.3%		55.6%	
Wichita (Sedgwick)					
Loans	1,204	1,213	– 0.7	1,189	1.3
Demand Deposits	795	808	– 1.6	692	14.9
Time & Saving Deposits	1,255	1,252	0.2	1,111	13.0
Loan-to-Deposit Ratio	58.7%	58.9%		65.9%	

Source: Research Department
Federal Reserve Bank of Kansas City
Institute for Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY
(thousands of dollars)

	Feb. 1980	Jan. 1980	% change	Feb. 1979	% change
Net New Savings	16,161	15,167	6.6	39,728	– 59.3
Mortgage Loans Made	42,229	44,014	– 4.1	64,957	– 35.0

Source: Federal Home Loan Bank of Topeka

prices declined by 2.0 percent. Over the year, the price for soybean meal did not change, but all other prices rose within a range of 9.2 percent for laying feed to 3.2 percent for beef concentrate. Within the context of sluggish price activity for farm products, the fact that the prices paid by Kansas farmers increased for the year at a rate less than that of inflation can be interpreted as a small bright spot in an otherwise darkening environment. (See Table VI.)

Financial Activity

The Kansas banking community has again responded to another action in the series of "new" tight money policies by the Federal Reserve. The latest prescription of even higher interest rates has been accompanied by credit controls on consumer loans. As a result, loans statewide and in each of the three major banking centers in Kansas dropped from January to February. During this period, the only categories which did not have a decline were time and savings deposits statewide and in Wichita. The declines in the loan-to-deposit ratios statewide and in each of the three major banking centers indicate that Kansas bankers are trying to firm up their position in light of an uncertain future. (See Table VII.)

The position of savings and loan institutions in Kansas again reflected the problems these institutions have faced nationwide and in Kansas for

TABLE IX
CONSUMER PRICES

Kansas City

Consumer Price Index, February 1980

	All Urban Consumers (CPI-U)			Wage Earners and Clerical Workers (CPI-W)		
		Percent change from			Percent change from	
	INDEX 1967 = 100	2 months ago	1 year ago	INDEX 1967 = 100	2 months ago	1 year ago
ALL ITEMS	238.7	2.1	16.7	236.6	1.8	15.9
Food and Beverages	244.7	1.9	6.4	239.5	2.1	5.8
Food	250.4	1.9	6.3	245.4	2.1	5.6
Food at home	241.6	1.4	4.3	238.7	2.2	3.5
Cereals & bakery products	243.3	0.6	10.6	244.4	3.3	11.1
Meats, poultry, fish & eggs	228.6	0.2	-0.7	231.1	1.3	0.9
Dairy products	228.8	2.3	3.2	227.7	2.4	3.6
Fruits and vegetables	233.3	-1.7	3.5	216.9	-2.8	-5.2
Other foods at home	283.6	4.4	8.6	277.7	4.7	7.3
Food away from home	275.4	2.7	10.6	265.6	1.9	10.2
Alcoholic beverages	191.2	2.7	6.9	183.4	1.9	8.6
Housing	252.6	0.8	21.4	248.4	-0-	19.0
Shelter	279.5	-0-	27.7	274.3	-1.4	24.5
Rent (residential)	153.4	-0.1	6.0	153.4	-0.1	6.0
Other rental costs	222.7	1.2	7.1	225.9	1.4	7.3
Homeownership	325.0	-0-	31.6	318.0	-1.6	27.9
Fuel & other utilities	233.0	1.9	10.5	235.2	2.2	11.8
Fuels	301.4	3.2	16.1	304.1	3.5	17.5
Fuel oil, coal, & bottled gas*	163.8	11.2	64.0	173.5	12.6	NA
Gas (piped) & electricity	298.3	2.7	14.2	298.2	2.7	14.1
Household furnishings & oper	193.8	3.6	7.1	190.7	4.0	5.1
Apparel & Upkeep	178.5	1.7	0.6	175.4	1.2	1.6
Men's & boys' apparel	195.2	-0.9	4.3	198.3	2.2	9.4
Women's & girls' apparel	165.0	8.6	-1.6	149.1	2.8	-8.2
Footwear	181.2	-7.5	-6.7	197.1	-1.5	5.9
Transportation	236.5	5.0	24.4	238.3	5.0	25.2
Private transportation	238.9	5.1	24.8	240.8	5.1	25.5
Public transportation	186.0	2.4	15.5	182.7	2.2	13.5
Medical Care	252.9	3.2	11.2	249.7	1.1	9.7
Medical care services	274.5	3.7	11.6	269.7	0.9	9.3
Entertainment	183.8	4.3	8.7	191.5	4.4	14.7
Other Goods & Services	212.3	2.1	10.3	216.7	3.0	11.9
ALL ITEMS (1957-59 = 100)	283.3			280.9		

* June 1978 = 100

more than the past year. Nationwide, the inflow of savings for the first quarter of 1980 was the lowest in a decade. Net new savings in Kansas were down 59.3 percent from a year ago while mortgage loans made were down 35.0 percent from a year ago. With the housing market looking worse now than it did a year ago, the immediate future for savings and loan institutions looks grim. (See Table VIII.)

Consumer Prices

The Kansas City consumer price index for the two-month period ending in February 1980 shows that the prices for all items rose 2.1 percent. The increases in the price for individual items ranged from a high of 5.0 percent for transportation to a low of 0.8 percent for housing. The remaining increases were in a range from 4.3 percent for entertainment to 1.7 percent for apparel.

Over the year, the prices for all items rose by 16.7 percent. The costs of transportation and housing were the leading contributors to the high rate of inflation as their prices rose by 24.4 percent and 21.4 percent, respectively. The other increases ranged from an 0.6 percent rise in apparel prices to an 11.2 percent rise in the cost of medical care. (See Table IX.)

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What's Ahead Kansas?

Institute for Economic and Business Research, The University of Kansas

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The Kansas Economy: In March and in the Months Ahead

. . . wherein the chief research analyst for the KU Institute for Economic and Business Research and the editor of *Kansas Business Review* attempt to review the State's recent economic performance and to forecast the State's performance in the difficult months ahead.

Robert Glass

Michael Valk

General Business

The American economy has been in a transition period for the last nine months. The unexpected growth of the last two quarters of 1979 ratcheted inflationary pressures one more notch. At the same time, the Federal Reserve, under the new leadership of Paul Volcker, began early last fall restricting the money supply which resulted in an inevitable rise in interest rates. Thus, the early winter months brought record interest rates (the prime rate hit 20 percent) and a surge in inflation (the inflation rate for the first quarter of 1980 was above an 18 percent annual rate of inflation). With the American economy seemingly on the brink of chaos, President Carter recalled his already prudent budget for FY 81 and reissued an even more prudent FY 81 budget which proposed to balance revenues and expenditures. In conjunction with the restrictive fiscal policy, the Federal Reserve, at the urging of President Carter, also tightened control of consumer credit. As the debate commenced over what in the Federal budget should be cut— there was general agreement in Congress that the level of expenditures should be lowered and that the defense budget should not be cut—the economic environment began to change. Lately, interest rates have been declining as fast as they rose last fall, a result of slackening demand for credit by business and of the monetary policy of the Federal Reserve which concentrates on an orderly growth in the money supply while allowing interest rates to fluctuate more. Consumer expenditures have been dropping since February, and unemployment rose sharply in April. At last, the long expected recession is upon us.

If Washington is skillful (or lucky) enough to get their wish for a mild recession, this "success" does not mean that the recession will be "mild" for all. Ask Detroit when the recession began and they will tell you last summer. Ask homebuilders when the recession began and they will say eighteen months ago. Not only will certain sectors of the economy suffer more than others (such as the automobile and housing markets), but certain geographical areas and socio-economic groups will suffer more. The large urban-industrial centers of the northcentral and northeastern regions have traditionally been hard hit by recessions. Further, because of the tradition of "last hired, first fired," minorities and women are harder hit by lay-offs. Thus, even a mild recession is still going to cause hardship for some.

The current recession is unique in American history. This recession is the first planned recession, the purpose of which is to temper inflation.

The current recession is unique in American history. This recession is the first planned recession, the purpose of which is to temper inflation. The plan in Washington was to engineer a mild recession to dampen aggregate demand and inflationary expectations without causing an unsightly increase in unemployment. There is some evidence that Washington's wish may come true. Increases in the producer's price index have been moderate lately, and the April consumer price index figures represented a significant drop from the more than 18 percent annual rate of increase experienced during the first quarter of 1980. As for the "only a mild recession" part of the plan, the most encouraging indicator is the current low level of inventories due to both the fact that this recession has been predicted for such a long time and the high interest rates for the past eight months. The easing of credit controls and the rapid decline in interest rates are aimed at preventing a recession like the last Republican recession (1974-5).

The Kansas economy has also experienced a slowdown in the last nine months. The monthly average for initial claims for unemployment for the past six months is more than 33 percent above the monthly average for 1979, and this surge in initial claims for unemployment has all taken place in the past four months. The average weekly earnings in manufacturing for March were below the previous six months average and only $0.10 above the figure for October 1979. When the inflation rate is considered, it is obvious that Kansas manufacturing wage earners have experienced a sharp decline in purchasing power in the past six months. These statistics not only indicate a slowdown in the Kan-

Thus, the weakness in the farm markets makes the Kansas economy more vulnerable to a major disruption in the national economy than was thought nine months ago.

sas economy; they also suggest that this slowdown will continue for some time.

The slowdown is, in part, a reaction to the national economy, and, as such, can be expected to last about as long as the national recession. Since the sectors of the economy which face the major brunt of the national recession are not dominating factors in the Kansas economy—the influence of automobile manufacturing in the Kansas City area is an important exception—the fallout from the national recession should not be devastating. However, there is a second fundamental problem which the Kansas economy faces —declining agricultural prices—which could have a more dramatic effect. The decline in agricultural prices is a response to the high level of farm production in 1979 and to the reduced state of the agricultural export market, at least for American farmers. As a result, farm income is expected to decline in 1980, and farm income had been expected to be one of the buffers that would prevent Kansas from suffering as much from the recession as the rest of the economy. Thus, the weakness in the farm markets makes the Kansas economy more vulnerable to a major disruption in the national economy than was thought nine months ago. (See Table I.)

Employment (by Business Classification and by Region)

The slowdown in the Kansas economy is reflected particularly in the employment data reported by the Research and Analysis Section of the Kansas Department of Human Resources. Traditionally, Kansas employment declines during the winter and then picks up when spring begins. However, this year the decline began a little earlier and was steeper than in the past few years. The March data continued this trend. Employment by place of work in all industries increased 0.9 percent in March which is less than the usual March increase in employment. Another clue to the slump can be found in the comparison of employment data this year with the same month the year before. For the past few years, there has generally been a three to four percent increase from one year to the next; however, from March 1979 to March 1980, the increase was only 1.6 percent.

Two particular industries, contract construction and aircraft manufacturing, are the primary areas where a change from the previous employment pattern has taken place. Both from February 1978 to March 1978 and from February 1979 to March 1979, employment in contract construction increased more than 14 percent. However, from February 1980 to March 1980, contract construction only increased 9.0 percent. And to make matters worse for Kansas employment, there is little reason to expect contract construction to show the vigor it did last year in the face of a housing slump. The housing slump is worse this year, and nonhousing construction is also expected to decline this year. The situation in the aircraft manufacturing industry is more ambiguous. Until the end of fall last year, employment in aircraft manufacturing had been steadily increasing for several years. Since November 1979, however, employment has declined, and, at least for the near future, it appears that it will continue to decline. Beyond the next few months, it is difficult to project what will happen in the aircraft industry.

One area of employment that has continued to grow despite the slowdown in the Kansas economy is the service industries. The growth in employment in service industries is a phenomenon much like the decline in farm employment: the growth in service industries is a long run trend just as declining farm employment is. It should take more than a small, short-term disruption in the economy to alter this trend. (See Table II.)

Kansas employment data by place of residence also reflect the economic slowdown. The increase in the number of employed persons from February 1980 to March 1980 was about one third less than the increase during these same periods for the previous two years. The unemployment rate dropped from 3.7 percent in February 1980 to 3.5 percent in March. However, in recent years, the unemployment rate has dropped more than twice that amount during this same period. Moreover, the number of unemployed persons is 26.6 percent higher in March 1980 than in March 1979.

The regional employment data provides yet further evidence of the slowdown in the Kansas economy. The slowdown can be detected by comparing February and March 1980 figures and by comparing March 1979 to March 1980. From February to March, eight of the eleven reporting regions experienced a decline in their unemployment rate. The exceptions were the Hutchinson area, where the unemployment rate remained unchanged and the Wichita SMSA and the Emporia area where the unemployment rate increased. As noted earlier, March has usually been a month when the employment situation brightened. Thus, what looks like a moderately strong performance in March 1980, when compared to recent years, is actually a weak performance. From February to March in both 1978 and 1979, all eleven of the regions experienced a decline in the unemployment rate of at least 0.3 percent. The average declines in the unemployment rate in these regions during the February to March periods of 1978 and 1979 are greater than the declines during the same period for 1980 in all regions except Salina where the average is the same as the February to March decline in 1979.

A comparison of March 1979 to March 1980 further confirms the general nature of the slowdown in the Kansas economy. For all eleven regions, the unemployment rate was higher in March 1980 than March 1979: the smallest increase in the unemployment rate was in the Pittsburg area, 0.3 percent, and the average increase in the unemployment rate was about 0.9

Kansas employment data by place of residence also reflect the economic slowdown.

percent. Thus, no major regional employment area seems to be immune from the slowdown.

One particular area which might face more than the ordinary degree of economic difficulties is Wichita. Since the 1960s, the Wichita economy has diversified to some extent, and, consequently, the economic well-being of the area is not nearly as dependent upon the aircraft manufacturing industry. But a dependency still exists. For the past three years, the expansion in the aircraft manufacturing industry has helped to fuel the economic boom that Wichita has been experiencing. However, some segments of the aircraft market have softened, and employment in the Wichita aircraft industry has stagnated for the past several months. In the near future, it appears that the level of employment in the Wichita aircraft industry will drop. Thus, the first real test of how successfully Wichita has diversified its employment base could be coming. (See Table III.)

Retail Sales (by Business Classification and by Region)

As a result of the current recession, national retail sales have been declining since the end of January. The retail sales tax figures by business classification provided by the Research and Planning Section of the Kansas Department of Revenue indicate that in March Kansas was apparently bucking the national trend; however, if inflation is taken into account, then the 2.7 percent increase in retail sales from the quarter ending in December to the quarter ending in March represented, in actual fact, a significant decline in retail sales. The two major categories of Kansas retail sales which have shown a nominal decline—automotive sales and lumber and building material sales—represent the two industries that have been the hardest hit by the recession. The retail sales data comparing the March 1979 quarter to that of March 1980 reveal a 7.9 increase in total retail sales, again a rate of increase significantly below the inflation rate for the year. Moreover, because the March 1980 quarter includes the months of January and February before consumer spending was dramatically reduced by tightened credit and a more pronounced erosion in consumer confidence, the quarter to quarter increase of 2.7 percent will probably be the highest for some months to come. (See Table IV.)

Not surprisingly, given the recessionary environment, the county retail sales data began, in the March quarter, to record the decline in retail sales evident months before in the retail sales by business classification data.

Not surprisingly, given the recessionary environment, the county retail sales data began, in the March quarter, to record the decline in retail sales evident months before in the retail sales by business classification data. Of the State's 105 counties, 63 registered declines; of the 42 registering increases, 18 had increases less than the rate of inflation. This pattern of declines in the March quarter is almost exactly opposite to the county sales activity a year ago: then the January-February-March 1979 quarter when compared to the October-November-December 1978 quarter showed 68 counties registering, for the most part, striking gains in retail sales. This contrast documents—with considerable emphasis—the effects of the recession in the State. Effects that will, no doubt, continue to be felt throughout the spring and summer. (See Table V.)

Farm Prices

The situation for Kansas farmers looks much worse today than it did six to eight months ago. While prices have either remained about the same or dropped slightly in the past six months, the costs to farmers have increased at a steady rate. The costs of fuel, fertilizer, and equipment have increased along with the cost of credit due to the higher interest rates. Thus, farmers face a situation of cash receipts remaining about the same as last year but of costs being significantly higher. The result will be a decline in farm income for 1980.

The March data for prices received and paid by Kansas farmers demonstrate the State's deteriorating farm situation. Of the eleven major classifications for field crops, livestock, and livestock products, nine reported declines in price over the month. Only corn among the field crops and lambs among livestock rose in price (0.8 percent and 7.6 percent, respectively). The declines were in a range from 18.8 percent to 0.8 percent, with the majority of the decreases clustered around 7.0 percent. From March 1979 to March 1980, all prices received for farm products failed to keep up with the annual rate of inflation except for wheat prices (at 17.2 percent, the increase is roughly commensurate with the inflation rate). In fact, over the year, prices for six of the eleven classifications declined, all but one a double-digit drop.

From February to March 1980, prices paid by Kansas farmers rose with the exception of the prices for laying feed (down 0.5 percent) and soybean meal (unchanged). For a monthly rate of increase, the rises were modest to severe, ranging from 3.6 percent for hog concentrate to 1.2 percent for bran. Except for soybean meal (unchanged), prices rose over the year at an average rate of 6.6 percent. Although far below the annual rate of inflation, this figure does not include the sharp yearly increase in price for fuel and petroleum products that Kansas farmers had to absorb. (See Table VI.)

Financial Activity

For the past eighteen months, Kansas commercial banking data have been responding to the various swings in the Federal Reserve's policy. During the late fall of 1978, the Federal Reserve instituted a tight money policy in an attempt to shore up the dollar. The result for Kansas banks was a swift decline in loans from December 1978 to January 1979; then, for three months, loans leveled off at a new, lower plateau. From April through the summer and into the early fall of 1979, loans increased steadily as did

Thus, farmers face a situation of cash receipts remaining about the same as last year but of costs being significantly higher. The result will be a decline in farm income for 1980.

The result of the Federal Reserve's policy for Kansas banks was a sharp drop in loans beginning in January 1980.

interest rates. This phenomenon was explained by pointing to the inflation rate which had reached double digits. A 14 percent interest rate seems high by itself; however, a 10 percent rate of inflation has the effect of lowering the real interest rate to four percent. As the inflation rate continued to increase at least as fast as interest rates, money remained relatively cheap, and, as a result, Kansas loan demand remained high during the late summer and early fall of 1979. At this point, the Federal Reserve altered their policy once more.

The Fed felt it was imperative to slow down inflation even if it meant causing a recession. In order to slow loan demand and quash inflationary expectations, control over the money supply was tightened, and interest rates jumped. The result of the Federal Reserve's policy for Kansas banks was a sharp drop in loans beginning in January 1980. For the last half of 1979, the statewide monthly average for loans was $7,755 million; for the first quarter of 1980, the statewide monthly average for loans was $6,898 million: a drop of over 11 percent from the monthly average for the last half of 1979. Since January 1980, the statewide monthly loan figures have stabilized. From February to March, statewide loans increased 0.4 percent, rising to $6,892 million, only six million dollars below the monthly average for the first quarter of 1980. Because demand deposits dropped significantly in March, the statewide loan to deposit ratio actually rose almost two percentage points. However, the March statewide loan to deposit figure of 55.1 percent is still significantly below the December figure of 61.5 percent.

Of the three major banking centers in Kansas, only Kansas City, Kansas banks have followed the statewide pattern. Loans from Wichita banks dropped in October 1979 and have remained at about the same level for six months. The loan to deposit ratio took a sudden drop in October and continued to decline through February because of increased deposits. However, in March, this pattern changed: deposits declined, as the loan to deposit ratio increased. Topeka banks have followed the same pattern as Wichita banks. (See Table VII.)

For the past year, savings and loan institutions in Kansas have faced both declining net new savings and declining mortgage loans made. The monthly averages for net new savings and mortgage loans made in 1978 were $41,522 thousand and $121,724 thousand, respectively. In 1979, these same monthly averages fell to $32,396 thousand and $99,769 thousand: a decline of 22.0 percent in net new savings and a decline of 18.0 percent in mortgage loans made. During the first quarter of 1980, the situation became worse for savings and loans. The first quarter 1979 monthly average for net new savings was $62,568 thousand and for mortgage loans made was $79,299 thousand. By the first quarter of 1980, these monthly averages had fallen to $21,160 thousand and $46,416 thousand: these figures represented a decline of 66.2 percent in net new savings and a decline of 41.5 percent in mortgage loans made. Although the March figures for savings and loans appear to represent the beginning of an upswing when compared to February's figures, when these same March figures are compared to the March numbers from the previous year it becomes apparent that the March 1980 data record a continuation of the decline experienced by savings and loan institutions during the first quarter of 1980. (See Table VIII.)

TABLE I
GENERAL BUSINESS INDICATORS

	Mar. 1980	Feb. 1980	% change	Avg. Prior 6 mos.	Annual Avg. 1979
Manufacturing					
Average Work Week (hrs.)	40.10	39.70	1.0	40.90	40.70
Average Weekly Earnings (dollars)	287.92	284.65	1.1	289.30	240.99
Initial Claims for					
Unemployment Insurance	9,296.00	11,065.00	– 16.0	10,811.00	8,082.00
New Incorporations					
In-State For Profit	353.00	368.00	– 4.1	395.00	336.00
Out-of-State For Profit	115.00	81.00	42.0	90.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK
(thousands)

Industry	Mar. 1980	Feb. 1980	% change	Mar. 1979	% change
All Industries	953.1	944.5	0.9	938.0	1.6
Manufacturing	197.7	196.9	0.4	198.4	– 0.4
Durable Goods	132.7	132.5	0.2	130.5	1.7
Stone, Clay, Glass	8.9	8.9	0.0	8.8	1.1
Primary Metals	4.2	4.2	0.0	4.2	0.0
Fabricated Metal Products	12.9	13.0	– 0.8	14.0	– 7.9
Machinery (incl. elec.)	38.2	38.1	0.3	36.9	3.5
Transportation Equipment	56.3	56.3	0.0	54.1	4.1
Aircraft & Parts	46.2	46.1	0.2	42.3	9.2
Other Durable Goods	12.2	12.0	1.7	12.5	– 2.4
Nondurable Goods	65.0	64.4	0.9	67.9	– 4.3
Food & Kindred Products	22.2	22.1	0.5	22.6	– 1.8
Meat Products	8.9	8.9	0.0	8.6	3.5
Apparel	3.6	3.4	5.9	3.7	– 2.7
Printing & Publishing	17.4	17.2	1.2	16.8	3.6
Chemicals	9.0	9.0	0.0	8.6	4.7
Petroleum & Coal	3.0	2.9	3.4	4.5	– 33.3
Other Nondurable	9.8	9.8	0.0	11.7	– 16.2
Mining	14.0	13.7	2.2	13.2	6.1
Oil & Gas Extraction	11.9	11.8	0.8	11.2	6.2
Contract Construction	45.8	42.0	9.0	44.7	2.5
Trans., Comm., Elec., Gas	65.9	65.5	0.6	64.7	1.9
Wholesale Trade	64.4	63.8	0.9	62.6	2.9
Retail Trade	160.3	160.4	– 0.1	159.3	0.6
Finance, Insurance, Real Estate	45.9	46.1	– 0.4	45.0	2.0
Services	170.3	168.4	1.1	162.2	5.0
Federal Government	26.4	26.3	0.4	25.9	1.9
State & Local Government	162.4	161.4	0.6	162.0	0.2

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Mar. 1980	Feb. 1980	% change	Mar. 1979	% change
Kansas—Statewide					
Civilian Labor Force	1,211,400	1,198,600	1.1	1,185,500	2.2
Employed	1,169,100	1,153,800	1.3	1,152,100	1.5
Farm	58,000	53,100	9.2	59,300	– 2.2
Non-Farm	1,111,100	1,100,700	0.9	1,092,800	1.7
Unemployed	42,300	44,800	– 5.6	33,400	26.6
Rate	3.5%	3.7%		2.8%	
Lawrence SMSA					
Civilian Labor Force	35,800	35,400	1.1	34,400	4.1
Employed	34,400	34,000	1.2	33,500	2.7
Farm	700	700	0.0	700	0.0
Non-Farm	33,700	33,300	1.2	32,800	2.7
Unemployed	1,400	1,400	0.0	900	55.6
Rate	3.9%	4.0%		2.6%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	272,100	270,400	0.6	262,600	3.6
Employed	261,700	259,200	1.0	254,400	2.9
Farm	1,300	1,200	8.3	1,300	0.0
Non-Farm	260,400	2,580,000	– 89.9	253,100	2.9
Unemployed	10,400	11,200	– 7.1	8,200	26.8
Rate	3.8%	4.1%		3.1%	
Topeka SMSA					
Civilian Labor Force	96,000	94,900	1.2	94,400	1.7
Employed	91,600	90,300	1.4	91,000	0.7
Farm	1,700	1,500	13.3	1,700	0.0
Non-Farm	89,900	88,800	1.2	89,300	0.7
Unemployed	4,400	4,600	– 4.3	3,400	29.4
Rate	4.6%	4.8%		3.6%	
Wichita SMSA					
Civilian Labor Force	228,800	225,600	1.4	217,900	5.0
Employed	221,200	218,800	1.1	211,800	4.4
Farm	2,300	2,100	9.5	2,400	– 4.2
Non-Farm	218,900	216,700	1.0	209,400	4.5
Unemployed	7,600	6,800	11.8	6,100	24.6
Rate	3.3%	3.0%		2.8%	

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Mar. 1980	Feb. 1980	% change	Mar. 1979	% change
Barton Co.—Great Bend Area					
Civilian Labor Force	17,875	17,800	0.4	17,225	3.8
Employed	17,450	17,300	0.9	16,875	3.4
Farm	850	775	9.7	875	– 2.9
Non-Farm	16,600	16,525	0.5	16,000	3.8
Unemployed	425	500	– 15.0	350	21.4
Rate	2.4%	2.8%		2.0%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,675	16,500	1.1	16,450	1.4
Employed	15,900	15,675	1.4	15,750	1.0
Farm	775	700	10.7	775	0.0
Non-Farm	15,125	14,975	1.0	14,950	1.2
Unemployed	775	825	– 6.1	700	10.7
Rate	4.6%	5.0%		4.3%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,775	17,700	0.4	17,750	0.1
Employed	17,150	17,125	0.1	17,325	– 1.0
Farm	750	700	7.1	775	– 3.2
Non-Farm	16,400	16,425	– 0.2	16,550	– 0.9
Unemployed	625	575	8.7	425	47.1
Rate	3.5%	3.2%		2.4%	
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	21,150	20,950	1.0	21,475	– 1.5
Employed	20,400	20,175	1.1	21,050	– 3.1
Farm	550	500	10.0	575	– 4.3
Non-Farm	19,850	19,675	0.9	20,475	– 3.1
Unemployed	750	775	– 3.2	425	76.5
Rate	3.5%	3.7%		2.0%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	32,050	32,050	0.0	31,375	2.2
Employed	30,900	30,900	0.0	30,475	1.4
Farm	1,225	1,125	8.9	1,250	– 2.0
Non-Farm	29,675	29,775	– 0.3	29,225	1.5
Unemployed	1,150	1,150	0.0	900	27.8
Rate	3.6%	3.6%		2.9%	
Riley Co.—Manhattan Area					
Civilian Labor Force	22,175	22,025	0.7	21,500	3.1
Employed	21,325	21,100	1.1	20,850	2.3
Farm	975	900	8.3	975	0.0
Non-Farm	20,350	20,200	0.7	19,875	2.4
Unemployed	850	925	– 8.1	650	30.8
Rate	3.8%	4.2%		3.0%	
Saline Co.—Salina Area					
Civilian Labor Force	26,175	26,225	– 0.2	25,900	1.1
Employed	25,075	24,900	0.7	25,100	– 0.1
Farm	650	600	8.3	650	0.0
Non-Farm	24,425	24,300	0.5	24,450	– 0.1
Unemployed	1,100	1,325	– 17.0	800	37.5
Rate	4.2%	5.1%		3.1%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX
BY BUSINESS CLASSIFICATION

(millions of dollars)

Business Classification	Mar. * 1980	Dec.* 1980	% change	Mar.* 1979	% change
Apparel	36.5	28.3	29.0	32.1	13.7
Automotive	181.2	215.0	– 15.7	168.8	7.3
Food	248.8	231.3	7.6	219.9	13.1
Furniture	48.0	43.1	11.4	41.0	17.1
General Merchandise	186.3	140.2	32.9	163.4	14.0
Lumber and Building Materials	86.8	100.8	– 13.9	74.4	16.7
Professional and Personal Service	42.2	40.3	4.7	33.1	27.5
Unclassified	98.1	102.8	– 4.6	86.3	13.7
Farm and Garden Products	1.0	1.0	0.0	0.8	25.0
Manufacturing and Trading	77.7	81.7	– 4.9	59.0	31.7
Miscellaneous	2.6	1.9	36.8	1.6	62.5
Total	1055.3	1027.8	2.7	978.3	7.9

* Monthly Average for Prior Three Months

Source: Research and Planning Section
Kansas Department of Revenue

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY

(thousands of dollars)

County	Sales * Mar. 1980	Sales * Dec. 1979	Change From Dec. 1979 (%)	Sales * Mar. 1979	Change From Mar. 1979 (%)
Allen	5,457	5,337	2.2	4,536	20.3
Anderson	2,490	2,553	– 2.5	1,957	27.2
Atchison	4,981	4,956	0.5	4,948	0.7
Barber	2,515	2,576	– 2.4	2,078	21.0
Barton	25,549	24,208	5.5	20,145	26.8
Bourbon	5,561	5,668	– 1.9	5,042	10.3
Brown	3,527	3,734	– 5.5	3,230	9.2
Butler	15,474	16,062	– 3.7	12,517	23.6
Chase	724	798	– 9.2	651	11.2
Chautauqua	1,152	1,112	3.6	966	19.3
Cherokee	4,381	4,332	1.1	4,069	7.7
Cheyenne	1,534	1,413	8.6	1,173	30.8
Clark	640	649	– 1.3	554	15.5
Clay	3,332	3,112	7.1	3,111	7.1
Cloud	4,957	4,571	8.4	4,253	16.5
Coffey	2,358	2,245	5.1	1,948	21.1
Comanche	595	584	1.9	559	6.3
Cowley	14,210	13,316	6.7	11,869	19.7
Crawford	12,677	12,744	– 0.5	11,628	9.0
Decatur	1,564	1,692	– 7.6	1,535	1.9
Dickinson	6,027	5,944	1.4	5,558	8.4
Doniphan	1,700	2,385	– 28.7	1,774	– 4.2
Douglas	23,422	23,694	– 1.2	20,990	11.6
Edwards	1,061	1,095	– 3.2	974	8.9
Elk	673	673	0.0	650	3.5
Ellis	13,624	13,354	2.0	12,093	12.7
Ellsworth	1,776	1,954	– 9.1	1,638	8.4
Finney	16,035	15,669	2.3	13,865	15.7
Ford	15,206	15,160	0.3	12,710	19.6
Franklin	7,222	6,998	3.2	6,250	15.6
Geary	8,469	8,450	0.2	8,014	5.7
Gove	1,294	1,402	– 7.7	1,327	– 2.4
Graham	1,647	1,683	– 2.1	1,357	21.4
Grant	3,726	3,768	– 1.1	3,099	20.2
Gray	1,710	1,837	– 6.9	1,635	4.6
Greeley	480	517	– 7.3	512	– 6.4
Greenwood	2,760	2,905	– 5.0	2,383	15.8
Hamilton	744	802	– 7.2	733	1.6
Harper	3,008	2,907	3.4	2,468	21.9
Harvey	10,440	9,643	8.3	8,682	20.3
Haskell	990	1,109	– 10.8	907	9.1
Hodgeman	397	392	1.3	347	14.3
Jackson	2,307	2,418	– 4.6	2,284	1.0
Jefferson	3,276	3,211	2.0	2,024	61.8
Jewell	760	979	– 22.4	896	– 15.2
Johnson	132,913	124,522	6.7	114,999	15.6
Kearny	689	760	– 9.4	657	4.8
Kingman	2,591	2,644	– 2.0	2,187	18.5
Kiowa	1,375	1,404	– 2.1	1,068	28.7
Labette	8,261	8,234	0.3	7,599	8.7
Lane	773	913	– 15.3	687	12.6
Leavenworth	11,839	12,052	– 1.8	11,405	3.8
Lincoln	1,035	1,069	– 3.2	1,011	2.4

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Mar. 1980	Sales * Dec. 1979	Change From Dec. 1979 (%)	Sales * Mar. 1979	Change From Mar. 1979 (%)
Linn	1,782	1,991	– 10.4	1,567	13.7
Logan	1,649	2,109	– 21.8	1,589	3.8
Lyon	13,900	13,664	1.7	11,914	16.7
McPherson	10,203	10,256	– 0.5	9,026	13.0
Marion	3,958	3,900	1.5	3,284	20.5
Marshall	4,066	4,062	0.1	3,548	14.6
Meade	1,433	1,483	– 3.4	1,206	18.8
Miami	6,022	6,342	– 5.0	5,187	16.1
Mitchell	3,731	3,733	– 0.1	3,359	11.1
Montgomery	15,829	15,855	– 0.2	14,699	7.7
Morris	1,411	1,542	– 8.5	1,400	0.8
Morton	1,275	1,204	5.9	1,114	14.4
Nemaha	3,574	3,444	3.8	3,160	13.1
Neosho	8,418	7,962	5.7	6,963	20.9
Ness	1,890	1,880	0.5	1,452	30.1
Norton	2,237	2,361	– 5.3	2,020	10.8
Osage	3,114	3,457	– 9.9	2,798	11.3
Osborne	1,679	1,774	– 5.3	1,671	0.5
Ottawa	1,165	1,175	– 0.8	1,077	8.2
Pawnee	3,107	3,222	– 3.6	2,679	16.0
Phillips	2,557	2,666	– 4.1	2,411	6.1
Pottawatomie	4,384	4,945	– 11.3	3,794	15.5
Pratt	5,397	5,081	6.2	4,420	22.1
Rawlins	965	982	– 1.8	954	1.1
Reno	31,479	29,393	7.1	25,959	21.3
Republic	2,351	2,675	– 12.1	2,197	7.0
Rice	3,118	3,253	– 4.2	2,884	8.1
Riley	16,461	15,800	4.2	15,257	7.9
Rooks	3,601	3,523	2.2	2,990	20.4
Rush	1,337	1,450	– 7.8	1,071	24.9
Russell	5,483	5,195	5.5	4,176	31.3
Saline	28,070	28,238	– 0.6	24,573	14.2
Scott	2,475	2,553	– 3.1	2,645	– 6.4
Sedgwick	208,570	195,809	6.5	170,424	22.4
Seward	12,319	11,599	6.2	11,303	9.0
Shawnee	74,437	72,264	3.0	68,133	9.3
Sheridan	1,104	1,294	– 14.7	1,052	5.0
Sherman	4,056	4,216	– 3.8	3,633	11.6
Smith	1,758	1,787	– 1.6	1,659	5.9
Stafford	1,676	1,551	8.1	1,362	23.0
Stanton	778	716	8.6	562	38.3
Stevens	1,521	1,548	– 1.8	1,495	1.7
Sumner	6,645	5,819	14.2	5,779	15.0
Thomas	4,499	4,619	– 2.6	4,176	7.7
Trego	1,224	1,338	– 8.5	1,306	– 6.3
Wabaunsee	995	1,115	– 10.7	961	3.5
Wallace	551	670	– 17.7	569	– 3.2
Washington	2,229	2,014	10.6	1,963	13.5
Wichita	855	961	– 11.0	802	6.6
Wilson	2,745	2,873	– 4.5	2,774	– 1.1
Woodson	1,065	1,206	– 11.7	919	15.8
Wyandotte	60,520	61,374	– 1.4	55,835	8.4

Source: Research and Planning Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS
(dollars)

Items	Mar. 1980	Feb. 1980	% change	Mar. 1979	% change	Annual Avg. 1979
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	3.48	3.73	– 6.7	2.97	17.2	3.49
Corn (bu.)	2.47	2.45	0.8	2.27	8.8	2.48
Sorghum (cwt.)	3.83	3.89	– 1.5	3.43	11.7	3.75
Hay (ton)	47.00	49.00	– 4.1	54.00	– 13.0	50.17
Soybeans (bu.)	5.56	5.92	– 6.1	7.10	– 21.7	6.72
Livestock & Products						
Beef Cattle (cwt.)	69.20	75.50	– 8.3	74.40	– 7.0	67.82
Calves (cwt.)	80.50	85.00	– 5.3	99.40	– 19.0	87.14
Hogs (cwt.)	32.10	35.60	– 9.8	48.40	– 33.7	41.83
Lambs (cwt.)	67.80	63.00	7.6	63.50	6.8	66.18
Sheep (cwt.)	24.70	30.40	– 18.8	27.50	– 10.2	21.15
Milk (cwt.)	12.80	12.90	– 0.8	12.00	6.7	12.24
Prices Paid by Farmers						
Soybean Meal (cwt.)	12.00	12.00	0.0	12.00	0.0	12.33
Bran (cwt.)	8.20	8.10	1.2	7.60	7.9	7.55
Beef Conc. (cwt.)	10.00	9.80	2.0	9.40	6.4	9.61
16% Dairy Feed (ton)	161.00	161.00	0.0	152.00	5.9	154.50
Hog Conc. (cwt.)	14.50	14.00	3.6	14.00	3.6	13.83
Laying Feed (ton)	189.00	190.00	– 0.5	175.00	8.0	180.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture
U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY

(millions of dollars)

	Mar. 1980	Feb. 1980	% change	Mar. 1979	% change
Kansas—Statewide					
Loans	6,892	6,865	0.4	6,591	4.6
Demand Deposits	3,905	4,297	– 9.1	3,707	5.3
Time & Saving Deposits	8,613	8,601	0.1	7,684	12.1
Loan-to-Deposit Ratio	55.1%	53.2%		57.9%	
Kansas City (Wyandotte)					
Loans	436	442	– 1.4	463	– 5.8
Demand Deposits	222	251	– 11.6	245	– 9.4
Time & Saving Deposits	581	572	1.6	536	8.4
Loan-to-Deposit Ratio	54.3%	53.7%		59.3%	
Topeka (Shawnee)					
Loans	491	497	– 1.2	461	6.5
Demand Deposits	294	309	– 4.9	282	4.3
Time & Saving Deposits	509	516	– 1.4	529	– 3.8
Loan-to-Deposit Ratio	61.1%	60.2%		56.8%	
Wichita (Sedgwick)					
Loans	1,205	1,204	0.1	1,202	0.2
Demand Deposits	795	795	0.0	678	17.3
Time & Saving Deposits	1,200	1,255	– 4.4	1,105	8.6
Loan-to-Deposit Ratio	60.4%	58.7%		67.4%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute for Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Mar. 1980	Feb. 1980	% change	Mar. 1979	% change
Net New Savings	32,153	16,161	99.0	97,153	– 66.9
Mortgage Loans Made	53,004	42,229	25.5	97,278	– 45.5

Source: Federal Home Loan Bank of Topeka